



1997 MICHIGAN

Single Business Tax Instructions for Corporations

STATE OF MICHIGAN



JOHN ENGLER, Governor

DEPARTMENT OF TREASURY

TREASURY BUILDING, P.O. BOX 15128, LANSING, MICHIGAN 48901

DOUGLAS B. ROBERTS, State Treasurer

January 1998

Dear Taxpayer:

This booklet contains the forms and instructions you need to complete your 1997 Michigan single business tax return.

Be sure to read the *Important News for 1997* on page 3. There are several new laws that offer credits that may reduce your SBT liability. A new form is enclosed to claim these credits. There are also significant changes to the capital acquisition deduction and apportionment calculations.

If you need more forms or forms that are not in this booklet, you may order them by calling 1-800-FORM-2-ME (1-800-367-6263). You can receive forms faster using our fax-on-demand service at 810-754-0362, or by visiting our new web site on the Internet at www.treas.state.mi.us.

If you have questions, please contact us at the address and phone number below.

P.S. A look ahead: Tax changes for next year include an increase in the income limit from \$95,000 to \$115,000 for any individual, fiduciary, shareholder or officer to be eligible for the small business credit.

For questions or information, contact us at:

Single Business Tax Division
Michigan Department of Treasury
Lansing, MI 48922
517-373-8030

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IMPORTANT NEWS FOR 1997

SBT Law Changes that Affect Your 1997 Tax Return.

P.A. 282 of 1995: Changes to the Capital Acquisition Deduction (CAD). Effective for tax years beginning after December 31, 1996, an apportioned CAD is allowed for the acquisition of property located in Michigan, mobile property, equipment used in construction and assets moved into the state. See the *SBT Capital Acquisition Adjustment* on page 29 for details.

P.A. 283 of 1995: Changes to the Apportionment Formula. Effective for tax years beginning after December 31, 1996 and before January 1, 1999, the apportionment weighting factors are 10 percent property, 10 percent payroll and 80 percent sales. The apportionment schedule will change again for tax years beginning after December 31, 1998 to 5 percent property, 5 percent payroll and 90 percent sales. See the *SBT Apportionment Formula* on page 32 for details.

A new form, *SBT Miscellaneous Credits* (C-8000MC) has been added to this book. Use it to claim any of the new credits passed by the legislature this year. These new credits are listed below in order of public act number. You may also use this form to claim the Workers' Disability Supplemental Benefit (WDSB) and Michigan Economic Growth Authority (MEGA) credits instead of claiming them on the annual return as was done previously.

P.A. 382 of 1996: Brownfield Redevelopment Credit. Effective for tax years beginning after December 31, 1996 and before January 1, 2001, a credit is available for new investment on a Michigan property where hazardous substances have been released. See the *SBT Miscellaneous Credits* on page 41 for details.

P.A. 441 of 1996: Renaissance Zone Credit. Effective for tax years beginning after December 31, 1996, a credit is available for businesses that locate in a designated renaissance zone to revitalize the area. See the *SBT Miscellaneous Credits* on page 41 for details.

P.A. 593 of 1996: Apprenticeship Credit. Effective for tax years beginning after December 31, 1996, a credit is available for taxpayers who hire and provide

training to young people ages 16 - 19 who are in high school or participating in a GED program. The credit may not exceed \$2,000 annually per apprentice. See the *SBT Miscellaneous Credits* on page 41 for details.

Extensions. The Michigan Department of Treasury has changed the procedure for accepting an application for extension of a single business tax return. In the past, we have not accepted extension requests unless they were received with an estimated payment. ***New this year***, if you have properly filed and paid estimates ***and included this amount on line 7 of your extension application***, we will accept your estimates as payment on a tentative return and will review your application. It is important that you complete the application correctly. The Department of Treasury will not process applications received without proper payment or without a properly completed application.

Remember, if someone else prepares your SBT return for you and you do not want to receive an SBT instruction book, please check the box above your signature and we will remove you from our mailing list. This will reduce printing and postage costs. If you change your mind and would like to be added back to the mailing list, please contact us at 517-373-8030. If you need an SBT instruction book right away, please call 1-800-FORM-2-ME (367-6263).

Need More Forms?

1-800-FORM-2-ME (1-800-367-6263).

For a copy of a form only, you can call our fax-on-demand system at **1-810-754-0362**. Faxed forms may not include instructions.

New Web Site

Visit our new Michigan Department of Treasury web site on the Internet at: **www.treas.state.mi.us**.

GENERAL INFORMATION

Before You Begin

These forms and instructions are for the single business tax annual returns filed by businesses registered as corporations. The forms are designed for the calendar year 1997 or for fiscal years beginning in 1997.

Before preparing your SBT return, complete all federal tax forms, including the U.S. 1120, U.S. 1120A, U.S. 1120S, *Schedule K*, and U.S. 940. You will need to reference them to complete your Michigan SBT returns.

How Do I Use This Booklet?

Read the General Information. Then review the Table of Contents to help you determine which forms you need to file and for the form number, title and the page(s) of the form and its instructions. If you are preparing your own returns, you may want to figure your tax on a photocopy of the form, then transfer your final figures to the original form.

Extra copies of forms, forms for previous years, special bulletins or any forms not included in this booklet are available at the Dept. of Treasury offices listed on the back of this book or by calling 1-800-FORM-2-ME (1-800-367-6263).

What Is Business Activity?

Taxable business activity includes:

1. sale or rental of property, whether the property is real, personal, tangible or intangible.
2. performance of services for gain, including services performed outside Michigan.

Nontaxable business activity includes:

1. services provided by an employee to his or her employer only;
2. services as a director of a corporation (who is not considered an employee); and
3. a casual transaction.

Who Must File an SBT Annual Return?

Every person who is engaged in business activity in Michigan and whose **adjusted gross receipts** are \$250,000 or more must file an annual return. Adjusted gross receipts means gross receipts plus recapture of capital acquisition deduction. For companies doing business outside Michigan, it means apportioned gross receipts plus recapture of capital acquisition deduction. In these instructions, **person** means an individual, firm, bank, financial institution, limited partnership, copartnership, partnership, joint venture, association, corporation, receiver, estate, trust, limited liability company or any other combination acting as a unit for business purposes.

If your **business operated less than 12 months**, annualize your gross receipts to determine if you should file.

If you are a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' adjusted gross receipts to determine if members of the group need to file. Do not include members whose adjusted gross receipts are less than \$100,000; these members are not required to file an SBT return. This is effective for tax years ending after June 30, 1994.

Members whose adjusted gross receipts are less than \$100,000 must include their business activity when figuring the small business credit on the C-8009.

Reminder: Partners and shareholders may have to pay tax on their share of income from a partnership or S-corporation. For a partner or shareholder who is an **individual**, this share of business income is taxed under the Michigan individual income tax act. For a **partner or shareholder who is a business (not individual) subject to SBT**, this income must be subtracted (add losses) on the SBT annual return filed for the corporation or other partnership. Exception: If this partner/shareholder has no Michigan business activity other than its interest in the partnership or S-corporation, the partner/shareholder itself is not subject to SBT and is not required to file a return.

Who Is Exempt from the SBT?

The following may be exempt from the single business tax:

1. most persons who are exempt from federal income tax under the IRC;
2. nonprofit cooperative housing corporations;
3. farmers producing agricultural goods. For more information request *Revenue Administrative Bulletin 1989-47*.

If you are exempt, but have unrelated business income (as defined in the IRC), that income is subject to the SBT and a return will be required if the adjusted gross receipts are \$250,000 or more.

For a complete list of exemptions, request a copy of the SBT Act (P.A. 228 of 1975, as amended).

If you are exempt, you are not required to file SBT. If you wish to be removed from our mailing list, please contact the Registration Section at 517-373-0888 to discontinue your account.

Which Annual Return Should I File?

Adjusted gross receipts means gross receipts plus recapture of the capital acquisition deduction. For companies doing business outside of Michigan, it means apportioned gross receipts plus recapture of capital acquisition deduction.

File If:

- C-8030 Your adjusted gross receipts are less than \$250,000, you are not claiming a refund, and you do not intend to use a loss carry forward from this or previous years.
- C-8044 Your adjusted gross receipts are less than \$250,000 and you wish to claim a refund only, skip lines 10 - 16 and 22 - 25;
OR
your adjusted gross receipts are \$250,000 or more, you meet the criteria on the form and you are using the alternate tax rate.
File form C-8000 if you are apportioning your gross receipts.
- C-8000 Your adjusted gross receipts are \$250,000 or more; OR
your adjusted gross receipts are less than \$250,000 and you wish to claim a refund;
OR
your adjusted gross receipts are less than \$250,000, but you are reporting a business loss carryforward; OR

your adjusted gross receipts are less than \$250,000 and you are using a business loss from a preceding year.

This list does not cover all situations. See the instructions for each form for more information.

Who Must File SBT Quarterly Tax Estimates?

If you expect your annual SBT liability to be more than \$600, you must file quarterly estimates. If your tax year was less than 12 months (i.e. you opened or closed a business during the year), annualize the tax to see if you must file estimates.

The Department of Treasury sends personalized forms to each registered estimate filer (except those who pay SBT using the *Combined Return for Michigan Taxes*). You can speed the posting of your account and improve the accuracy of your payment information by using your personalized forms or by requiring your tax practitioner to use them. Do not duplicate personalized forms or use a form that has someone else's name on it.

If you had business activity in Michigan in 1997 and your 1997 tax is \$20,000 or less, you may use the amount of your 1997 tax liability as the estimate for your 1998 annual tax. To avoid penalty and interest, divide your 1997 tax by 4 (e.g. $\$20,000 \div 4 = \$5,000$) and pay that amount on each of the 1998 quarterly due date(s). You may also divide the amount by 12 and pay it with your monthly sales, use or withholding tax payment (e.g. $\$20,000 \div 12 = \$1,666.67$).

If your previous year was less than 12 months, annualize the previous year's tax liability to determine if estimates are due and the amount due.

If you had business activity in Michigan in 1997 but were not required to file a 1997 return, estimated payments are not required for 1998. If you made estimated payments during 1997 then find that your adjusted gross receipts do not meet the filing requirements, file an annual return to claim a refund or credit forward of your payments.

Amending estimates. If, after making payments, you find that the estimated tax is substantially different than you originally estimated, recompute the tax and adjust your payment in the next quarter.

How Do I File If My Tax Year is Less Than 12 Months?

Your annual return must be filed for the same period as your federal income tax return. If your business operated less than 12 months, annualize your gross receipts, business income and all shareholders' and officers' income to determine which forms to file and your eligibility for a standard small business tax credit or the alternate tax. Annualized business income will also determine the amount of your unincorporated credit. Do not use annualized numbers on your return; use them only to determine filing requirements and qualifications for credits.

To annualize: Multiply each amount (total gross receipts, business income, and shareholder's, officer's and partner's income) by 12 and divide the result by the number of months the business operated. You are considered in business for one month if the business operated for more than half the days of the month.

1. If annualized adjusted gross receipts are \$250,000 or more, you must file an annual return. If annualized gross receipts are more than \$10 million, you are not eligible for the standard small business credit or the alternate tax.
2. Annualize shareholders, officers' and partners' compensation, and share of business income. If any shareholder or officer has allocated income (annualized) more than \$95,000 after loss adjustment or any partner has a distributive share more than \$95,000 (C-8000KP, column E; C-8000KC, columns K or M), you are not eligible for the standard small business credit or the alternate tax.
3. Annualize business income to determine the credit percent used to compute the unincorporated/S-Corp. credit. If the annualized adjusted business income after loss adjustment is more than \$475,000, you are not eligible for the standard small business credit or the alternate tax.

You must also **prorate** the statutory exemption including increased exemptions. Use the *Statutory Exemption Schedule* (form C-8043).

Who May File Consolidated or Combined Returns?

An affiliated group of corporations may file a consolidated or combined return only with prior approval from the revenue commissioner. To request approval, file a *Request for Consolidated or Combined Filing* (form C-8007) before the due date of the annual return. This form is available by calling 1-800-FORM-2-ME (1-800-367-6263). For more information, request *Revenue Administrative Bulletin 1989-49*.

How Do I Compute Penalty and Interest?

Annual returns filed late or without sufficient payment of the tax due are subject to a penalty of 5 percent of the tax per month plus interest. Maximum penalty is 50 percent of the tax due.

Estimated returns not filed or filed after the due date are subject to a penalty of 5 percent of the unpaid tax per month. Maximum penalty is 50 percent of the estimated tax due. If you underpay your estimate, a penalty of 10 percent for negligence or 25 percent for intentional disregard may apply. Treasury will bill you for penalties due in these cases.

You may compute penalty and interest for underpaid estimates using *Penalty and Interest Computation for Underpaid Estimated Tax* (form C-8020). If you prefer not to file this form, Treasury will compute your penalty and interest and bill you. See instructions, page 51.

The interest rate varies with the filing period. Use the chart below to find the interest rate that applies to you. A new interest rate is set at 1 percent above the prime rate for each 6-month period.

<u>Beginning date</u>	<u>Rate</u>	<u>Daily Rate</u>
January 1, 1998	9.5%	.0002602
July 1, 1997	9.3%	.0002547
January 1, 1997	9.25%	.0002534
July 1, 1996	9.5%	.0002595
January 1, 1996	9.9%	.0002705
July 1, 1995	9.5%	.0002602
January 1, 1995	8.2%	.0002246
July 1, 1994	7.0%	.0001917
January 1, 1994	7.0%	.0001917

What If I Need More Time to File?

Michigan will grant extensions for filing SBT returns, but will not extend the time to pay. To request a Michigan extension, file an *Application for Extension of Time to File Michigan Tax Returns*. **If you owe no tax**, you do not need to file an extension with Michigan by the due date of the return to avoid penalty and interest.

Filing a federal extension request with the Internal Revenue Service (IRS) does not automatically grant you a Michigan extension. The IRS does not notify state governments of extensions, so if you do not receive an approved extension, penalty and interest will accrue on tax due.

An extension of time to file is not an extension of time to pay. Extension applications received without proper payment **will not be processed** and penalty and interest will accrue on the unpaid tax from the original due date of the return. Penalty of 5 percent per month on any unpaid balance will apply. Maximum penalty is 50 percent of the balance due.

New this year: If you have properly filed and paid estimates **and included this amount on line 7 of your extension application**, we will accept your estimates as payment on a tentative return and will review your application. It is important that you complete the application correctly.

Once we have received your application and proper payment, Michigan will grant you an extension for the same length of time as your federal extension (if applicable) - plus 60 days. If you don't have a federal extension, we will grant 180 additional days to file. You will receive a written response at the legal address on file when we receive a valid extension application.

For example, if an SBT extension is granted, a 1997 calendar-year filer who has a federal extension has an SBT return due date of December 31, 1998. That same filer without a federal extension has an SBT return due date of October 31, 1998.

Your extension application must be postmarked on or before the original due date of your annual return.

If you file your extension on time and the total payments received by your original due date are less than 90 percent of your tax liability, a 10 percent negligence penalty may apply.

How Do I Amend My Return?

If you are amending an annual return, file an amended return (either form C-8000X or C-8044X). These forms are included in the reproducible packet and should be used only for tax years 1995 or later.

If you are amending an annual return for a year before 1995, use the appropriate year's return, and print **"AMENDED"** at the top. These forms can be obtained by calling:

1-800-FORM-2-ME, (1-800-367-6263).

If you are amending your return to claim a refund, you must file within four years of the due date of the original return.

If any changes are made to your federal income tax return that affect your SBT tax base, you must file an amended return. Interest applies to any deficiency from the due date of the original return. To avoid penalty, you must file the amended return within 120 days after the IRS' final determination.

How Do I Format Amounts I Enter on SBT Forms?

1. **Losses:** Report losses and negative amounts in brackets. For example [22,459.00].
2. **Percentages:** Carry all percentages to six decimal places. Do not round percentages. For example 24.154256 percent becomes 24.1542 percent (.241542).
3. **Round dollar amounts:** Report all amounts in whole dollars. Round up amounts ending in 50¢ or more. Round down amounts ending in 49¢ or less.

Who Must Sign the Return?

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer, officer's agent or association member. **Important:** If someone else prepares your return for you and you do not wish to receive an SBT instruction book, please check the box above your signature and we will remove you from the mailing list.

If someone other than the above has prepared the return, the preparer must also sign it and give his or her business address and phone number.

When Is My Return Due?

Annual returns are due on or before the last day of the 4th month after the end of your tax year. For example: A return for calendar year 1997 is due April 30, 1998. A return for a fiscal year ending March 31, 1998, is due July 31, 1998.

Where Do I Mail My Return?

Mail your annual return or *Notice of No SBT Return Required* (C-8030) with all necessary schedules and payment if applicable to:

Michigan Department of Treasury
P.O. Box 30059
Lansing, MI 48909

Mail your extension application to:

Michigan Department of Treasury
P.O. Box 30207
Lansing, MI 48909

Mail your quarterly estimate payments (C-8002) to:

Michigan Department of Treasury
Dept. 77889
Detroit, MI 48277-0889

The estimated returns are the only SBT forms that are sent to Detroit. Make all checks payable to: ***“State of Michigan.”*** Write your federal employer number and "SBT" on the check.

Correspondence. Report address changes or business discontinuance on the annual return. To report changes in your tax status or business activity, contact the Registration Section at 517-373-0888 or use the *Taxpayer Account and Filing Information* form provided in your sales, use and withholding taxes coupon book. Mail any other correspondence to the SBT Division at the address where you send your annual return.

To Request Forms

1-800-FORM-2-ME

(1-800-367-6263).

1-810-754-0362

to have forms faxed directly to you. Faxed forms may not have instructions.

New Web Site

Visit our new Michigan Department of Treasury web site on the Internet at:
www.treas.state.mi.us

INSTRUCTIONS FOR C-8000 ANNUAL RETURN

Lines not listed are explained on the form.

Line 1, Taxable Year. If you operate on a fiscal year, enter the beginning and ending dates (month and year) of your annual accounting period. For periods less than 12 months, enter the beginning and ending dates that correspond to the taxable period you reported to the IRS.

Line 3, Consolidated Filing. If you have received the revenue commissioner's approval to file a consolidated or combined SBT return, check the box and enter your authorization number on the line provided. Attach a copy of your approved *Request for Consolidated or Combined Filing* (form C-8007) and your *Affiliation Schedule - Consolidated Filing* (form C-8008).

Line 4, Controlled Groups. A controlled corporate group is an affiliated group of corporations as defined in the SBT Act or a controlled group of corporations as defined in IRC Section 1563. **Entities under common control** are two or more trades or businesses (whether or not incorporated) under common control as defined in the Internal Revenue Service Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations.

Important: If you are a member of a controlled group and are claiming a statutory exemption or small business credit, attach the *Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups* (form C-8009) to your SBT return. (See page 45.)

Line 5, Account Number. Use your federal employer identification number (FEIN) or the Michigan Treasury (TR) number assigned. If your organization type is individual and you do not have an account number yet, enter your Social Security number and enter an S in the box to the right. For all other organization types, if you do not have an account number, leave line 5 blank. Be sure to use the same account number on all forms.

Line 7, Business Start Date. Enter the start date of your first Michigan business activity.

Line 8, Principal Business Activity. Enter a brief description of your business activity. For example, forestry, fisheries, mining, construction, manufacturing, transportation, communication, electric, gas, sanitary services, wholesale trade, retail trade, finance or services.

Line 10, Gross Receipts. Report your total gross receipts on line 10. For most filers, gross receipts is the sum of lines 1c, 6 and 10 of the U.S. 1120 or 1120A. Use the checklist above to be sure you have

Gross Receipts Checklist

Include receipts from:

- the sale of products;
- services performed;
- gratuities stipulated on a bill;
- sales tax collected on the sale of tangible personal property;
- interest received by a financial organization;
- gross commissions earned;
- rents;
- professional services;
- sales of scrap and other similar items;
- client reimbursed expenses not obtained in an agency or other representative capacity;
- gross proceeds from intercompany sales.

Exclude receipts from:

- proceeds from the sale of assets used in a business activity (dispositions of assets acquired on or after January 1, 1976, are reported as recapture of capital acquisition deduction on form C-8000D);
- cash discounts allowed and taken on sales;
- proceeds from the sale of merchandise returned by customers when the sale price is refunded or equivalent credit is granted;
- voluntary tips;
- security deposits (unless retained);
- distributive income from a partnership received as a partner.

totalled your receipts correctly. S-corporations should determine gross receipts using the worksheet on page 12.

Line 11, Business Income. Enter federal taxable income as computed on your U.S. 1120, line 30 or your 1120A, line 26. S-corporations enter business income as determined on the worksheet on page 12.

THE SHORT METHOD to compute your SBT.

The maximum SBT any filer pays is equal to the tax rate times one-half of your adjusted gross receipts. Adjusted gross receipts means gross receipts plus recapture of capital acquisition deduction. For companies doing business outside of Michigan, it means apportioned gross receipts plus recapture of capital acquisition deduction. You can figure this amount quickly using form C-8000S instead of figuring your tax base on form C-8000. However, if you want to claim the standard small business credit you must still compute your tax base.

If you use the SHORT METHOD, complete SBT Reductions to Adjusted Tax Base (form C-8000S). See instructions, page 44.

If you want to use the SHORT METHOD, follow these steps:

- enter your gross receipts on C-8000, line 10;
- if you are claiming an unincorporated credit, enter your business income on C-8000, line 11;
- enter your recapture (if applicable) from your C-8000D, line 26 on C-8000, line 36;
- complete C-8000S, lines 9 - 14 only;
- enter the amount from C-8000S, line 14 on C-8000, line 44 and complete the C-8000.

COMPENSATION PAYMENTS

Line 12, Salaries, Wages and Other Payments.

Enter total payments (including the cash value of all consideration other than cash), made for the benefit of employees and officers. Report these payments on a cash-only basis, i.e. include only the actual payments made during the year. For most filers this is the amount reported on U.S. 940 for the taxable year.

Payments are salaries, wages, fees, bonuses, commissions and other payments that are subject to or specifically exempt from federal income tax withholding. This includes payments for casual services, but does not include payments to independent contractors or fees paid for services as a director of a corporation.

Employee is a person from whom an employer is required to withhold federal income taxes (IRC Section 3401(c)).

Lines 13 through 15. Report any payments made on behalf of or for the benefit of employees or officers on a cash or accrual basis consistent with your method of federal income tax reporting.

Line 13, Employee Insurance Plans. Enter payments to health or life insurance plans for employees, payments for health and welfare and non-insured benefit plans, and payment of fees for the administration of health and welfare and non-insured benefit plans.

Do not include here or on line 15, contributions for FICA (Social Security and Medicare), workers' compensation insurance, or the state and federal unemployment compensation fund.

Line 15, Other. Include here any payments made for the benefit of employees that are not included on lines 13 - 14. For example: payments to supplemental unemployment benefit trusts; payments to individuals not currently working; payments to dependents and heirs for labor services rendered by an individual.

WORKSHEET FORS-CORPORATIONS GROSS RECEIPTS/BUSINESS INCOME

PART 1: GROSS RECEIPTS

- U.S. 1120S
 - gross receipts or sales _____ .00
(net of returns)
 - other income _____ .00
- U.S. 8825
gross income from
real estate rentals _____ .00
- U.S. 1120S, Schedule K
 - gross rent, other
rental income _____ .00
- Other receipts _____ .00
- Total gross receipts
Add lines 1 - 4. Enter here
and on the annual return. _____ .00

PART 2: BUSINESS INCOME

- U.S. 1120S, Schedule K, income (Loss)
 - ordinary income (loss) _____ .00
 - net real estate rental
income (loss) _____ .00
 - net other rental
income (loss) _____ .00
 - interest income _____ .00
 - dividend income _____ .00
 - royalty income _____ .00
 - net short-term
gain or (loss) _____ .00
 - net long-term
gain or (loss)* _____ .00
 - other portfolio income
(loss) _____ .00
 - section 1231 gain
(or loss) _____ .00
 - other income _____ .00
- Total income or (loss)
Add lines 6a - 6k. _____ .00
- U.S. 1120S, Schedule K, deductions
 - charitable contributions _____ .00
 - section 179 expense _____ .00
 - deductions related to
portfolio income _____ .00
 - other deductions _____ .00
- Total deductions
Add lines 8a - 8d. _____ .00
- Total business income
Subtract line 9 from line 7. Enter
here and on annual return. _____ .00

*This amount must be increased by any reduction to federal Schedule D caused by netting federal income taxes.

ADDITIONS

Line 17, Depreciation. Enter all depreciation or amortization of tangible assets which you claimed as a deduction on your federal return. This includes the immediate (permitted under IRC Section 179) or accelerated write-off of tangible assets.

Taxpayers choosing the mileage method to determine car expenses must include in depreciation that portion of the mileage rate that is required by the IRC to reduce the adjusted basis of the vehicle.

Safe Harbor Leases. The lessor and lessee must report on line 17 any rent attributable to a lease-back agreement under IRC section 168(f)(8). The lessor subtracts rental receipts from such property. The lessee adds rental payments from such property. The lessee also may be entitled to a capital acquisition deduction for such property.

Line 18, Taxes. Enter all taxes on, or measured by, net income, including city and state taxes, foreign income tax and federal environmental tax claimed as a deduction on your federal return.

Line 20, Dividends, Interest and Royalty Expenses. Enter any dividend, interest or royalties claimed as a deduction on your federal return.

Do not include any of the following on line 20:

- dividends not claimed as federal deductions;
- interest payments made by a financial organization;
- franchise fees;
- oil and gas royalties deducted;
- cable franchise fees paid to units of government;
- film rental payments made by a theater owner to a distributor or to a producer;
- payments made by radio or TV broadcasters for syndication or royalty fees, or any other charges for program matter.

Line 21, Capital Loss Carryover or Carryback
Enter any capital loss carryover or carryback from your federal schedule that was included in the business income reported on line 11. This cannot be a negative number.

Line 22, Net Operating Loss Carryover or Carryback. Enter any net operating loss carryover or carryback that was included in arriving at business income reported on line 11. This cannot be a negative number.

Line 23: Gross Interest and Dividend Income.
Enter any income from bonds and similar obligations or securities of states other than Michigan and their political subdivisions. Include only the income derived from your business activity. You may

subtract from this income-related expenses, if those expenses were not allowed as deductions on your federal return (IRC Sections 265 and 291).

Line 24, Special Classifications Deduction. Enter any deduction or exclusion by a filer due to a classification as, or the payment of commissions or fees to a domestic international sales corporation (DISC), foreign sales corporation (FSC) or any similar special classification which reduces or postpones federal income tax liability.

This does not apply to special provisions of IRC sections 805, 809, 815(c)(2)(A), 823(c) and 824(a).

Financial Organization Expense Addback. Enter total expenses deducted in arriving at federal taxable income, less expenses which are added in determining SBT tax base, times the following fraction:

$$\frac{\text{Interest from U.S. obligations that Michigan is prohibited from taxing} + \text{Interest on Michigan obligations}}{\text{Total interest income}}$$

The result cannot exceed interest from U.S. obligations subtracted in arriving at tax base.

Line 25, Losses from Partnerships. Enter any partnership losses included in the business income reported on line 11. Enter the FEIN(s) of the partnership(s).

SUBTRACTIONS

Line 28, Dividends, Interest or Royalty Income.
Enter dividends, interest and royalty income included in the business income reported on line 11.

Do not include:

- dividends allowed as a dividend-received deduction on a federal return;
- oil and gas royalty income;
- franchise fees;
- interest income received by a financial organization. (*Exception:* Interest from U.S. obligations that Michigan is prohibited from taxing may be included.);
- film rental payments made by a theatre owner to a distributor or to a producer;
- payments made by radio or T.V. broadcasters for syndication or royalty fees, or any other charges for program matter.

Line 29, Excluded Capital Losses. Enter any capital losses on property used in your business activity and not included in arriving at federal taxable income in the year the loss occurred.

Line 30, Income from Partnerships. Enter partnership income included in the business income

reported on line 11. Also, enter the FEIN (s) of the partnership(s).

TAX BASE

Line 32, Tax Base. Tax base is business income or loss (line 11), plus compensation (line 16) and additions (line 26), and minus subtractions (line 31).

If you are taxable in another state, complete SBT Apportionment Formula (form C-8000H) before continuing. See instructions, page 32. Attach your completed SBT Apportionment Formula to your return.

Line 33, Apportioned Tax Base. If taxable in another state, multiply line 32 by the percentage from form C-8000H, line 16 or 19, whichever applies.

ADJUSTMENTS

If you are claiming or recapturing a capital acquisition deduction, complete SBT Capital Acquisition Adjustment (form C-8000D) before continuing. See instructions, page 29. Attach your completed SBT Capital Acquisition Adjustment to your return.

Line 38, Adjusted Tax Base Before Loss Deduction and Statutory Exemption. Any negative amount on this line is a business loss which may be carried forward successively to the next 10 taxable years, or until the loss is used, whichever occurs first. If line 38 is negative do not complete lines 39-50.

Line 39, Business Loss Deduction. Enter any unused business loss carryover from the single business tax return for the preceding 10 years. Note: This is not the federal net operating loss.

Line 40. Subtract line 39 from line 38. If negative, enter zero.

STATUTORY EXEMPTION

If you are claiming a statutory exemption or a small business credit, complete SBT Schedule of Shareholders and Officers (form C-8000KC) before continuing. See instructions, page 37.

Line 41, Allowable Statutory Exemption. For most corporations, the statutory exemption is available only if the sum of business income, federal loss carryovers or carrybacks, and compensation/director fees of all shareholders is less than \$67,500. If you are claiming a statutory exemption, complete form C-8000KC to determine compensation and director fees of all shareholders. S-corporations and professional corporations must use C-8000KC to determine qualified shareholders for the increased exemption.

A statutory exemption cannot be used to increase a business loss or to offset adjusted tax base (as determined on C-8000, line 38) before loss

carryovers are reported (on C-8000, line 39). An unused statutory exemption can't be carried forward.

You must complete and attach the SBT Statutory Exemption Schedule, (C-8043) before continuing. See instructions, page 56.

If you are a member of a **controlled group** and claim an allocated statutory exemption, complete *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups* (form C-8009). A controlled group is entitled to only one statutory exemption, which is allocated on form C-8009.

REDUCTIONS, CREDITS, TAX

Line 43, Reduction to Adjusted Tax Base. You may qualify for either the compensation or the gross receipts reduction on form C-8000S, but may use only one (see the C-8000S instructions on page 44). Enter the amount of the reduction from form C-8000S, line 16.

Line 44. Filers using the SHORT METHOD, enter the amount from C-8000S, line 14. In no case should the amount on this line be more than 50 percent of the sum of apportioned gross receipts plus recapture of capital acquisition deduction.

The small business credit and the alternate tax are computed on SBT Credit for Small Businesses and Contribution Credits (form C-8000C). Review the C-8000C to make sure you take all the tax credits due you. See C-8000C instructions, page 23. Attach your completed SBT Credit for Small Businesses and Contribution Credits to your return.

Line 46. If you are claiming a small business credit or any contribution credits, enter the amount from form C-8000C. If you are not claiming these credits, carry the amount from line 45 to line 46.

Line 47, Unincorporated and S-Corporation Credit. Taxpayers who are unincorporated or S-corporations are allowed a credit against the SBT. Multiply line 46 by the percent from the table below and enter the result on line 47.

Unincorporated/S-Corp. Tax Credit Table

<u>If business income* is:</u>	<u>The credit is:</u>
\$20,000 or less	20% of the SBT liability.
More than \$20,000 but less than \$40,000	15% of the liability.
\$40,000 or more	10% of the liability.

*See page 6 for tax years less than 12 months.

Line 48, Nonrefundable Credits. If you are claiming an Enterprise Zone Credit, a Michigan Economic Growth Authority Business Activity Credit, a Brownfield Redevelopment Credit, a Renaissance Zone Credit or a Capital Acquisition Deduction Credit, see *SBT Miscellaneous Credits* (form C-8000MC) on page 41. Note that these credits have strict eligibility requirements.

PAYMENTS AND TAX DUE

Line 52. Enter the total tax paid with your SBT quarterly tax returns (form C-8002), or the estimated single business tax paid with the *Combined Return for Michigan Taxes*. Include all payments made on returns that apply to the current tax year. For example, calendar-year filers include money paid with the combined returns for return periods January through December.

Line 54, Refundable Credits. If you are claiming a Michigan Economic Growth Authority Employment Tax Credit, a Workers' Disability Supplemental Benefit (WDSB) Credit or an Apprenticeship Credit, see *SBT Miscellaneous Credits* (form C-8000MC) on page 41.

Line 57, Penalty and Interest. If you owe penalty and interest for not filing estimated returns or for underestimating your tax, complete *SBT Penalty and Interest Computation for Underpaid Estimates* (form C-8020) to compute penalty and interest due. If you prefer not to file this form, Treasury will compute your penalty and interest and bill you. (See page 51.)

Line 58, Penalty and Interest. See "How Do I Compute Penalty and Interest" on page 6.

Line 59, Payment Due. Enter the amount of payment due here and on page 1, line 63.

SIGN YOUR RETURN

Reminder: If someone else prepares your return for you and you do not want to receive a SBT instruction book in the future, please check the box above your signature and we will remove you from the mailing list.

IMPORTANT: You must attach copies of these federal forms to your return.

Corporations U.S. 1120, 1120A,
pages 1 through 4.

If you file as part of a consolidated federal return, attach a proforma or consolidated schedule.

S-Corporations U.S. 1120S pages 1 through 4*

Individuals &
Fiduciaries Schedules C and E

Partnerships U.S. 1065 pages 1 through 4*

*Do not send copies of K-1s. We will request them if we need them.

INSTRUCTIONS FOR C-8044, SIMPLIFIED RETURN

Purpose: This form allows qualifying taxpayers to file using the alternate tax rate only, while still taking their unincorporated/S-Corporation credit.

ELIGIBILITY

You are eligible to use this form for the alternate tax if **all** of the following conditions apply:

1. Your gross receipts are less than \$9 million.
2. Your adjusted business income (after loss adjustment) is less than:
 - a. \$475,000 for corporations and partnerships;
 - b. \$95,000 for individuals or fiduciaries.
3. No shareholder or officer has compensation or allocated income (after loss adjustment) over \$95,000 (from C-8000KC, columns K or M).
4. No partner has distributive income (after loss adjustment) over \$95,000, (from C-8000KP).
5. You are not a member of a controlled group or entity under common control.
6. You are not filing a consolidated return.
7. You are not apportioning your gross receipts.

Allocated income for regular corporations is either:

- a. shareholders' or officers' compensation and directors' fees from C-8000KC, column K, or
- b. shareholders' compensation, directors' fees and share of business income (after loss adjustment) or loss from C-8000KC, column M.

If either of these is greater than \$95,000, the corporation is not eligible for the small business credit.

Allocated income for S-corporations is:

- a. shareholders' compensation, directors' fees and share of business income (after loss adjustment) or loss from C-8000KC, column M.

Even if you are eligible to file this form, you may pay a lower tax by filing the *SBT Annual Return* (form C-8000) and taking a standard small business credit using *SBT Credit for Small Businesses and Contribution Credits* (form C-8000C). This is especially true if any of the following applies to you:

1. You have or are establishing a business loss carry forward.
2. You wish to take a community foundations, homeless, public contributions or public utility property tax credit or have nonrefundable credits.
3. You have a large capital acquisition deduction.

Loss Adjustment. If you are not eligible for the small business credit or the alternate tax calculation due to a disqualifier, you may benefit from the SBT Loss Adjustment Worksheet (see page 25). If your adjusted business income was less than zero in any of

Gross Receipts Checklist

Include receipts from:

- the sale of products;
- services performed;
- gratuities stipulated on a bill;
- sales tax collected on the sale of tangible personal property;
- interest received by a financial organization;
- gross commissions earned;
- rents;
- professional services;
- sales of scrap and other similar items;
- client reimbursed expenses not obtained in an agency or other representative capacity;
- gross proceeds from intercompany sales.

Exclude receipts from:

- proceeds from the sale of assets used in a business activity (dispositions of assets acquired on or after January 1, 1976, are reported as recapture of capital acquisition deduction on form C-8000D);
- cash discounts allowed and taken on sales;
- proceeds from the sale of merchandise returned by customers when the sale price is refunded or equivalent credit is granted;
- voluntary tips;
- security deposits (unless retained);
- distributive income from a partnership received as a partner.

the five years immediately preceding the tax year for which you are claiming a credit and you received a small business credit for that same year, you may adjust for the loss. A loss adjustment will not help you if your gross receipts exceed \$10 million or if a shareholder or officer of a C corporation has compensation alone that exceeds \$95,000.

Tax period is less than 12 months. Your annual return must be filed for the same period as your federal income tax return. If your business operated less than 12 months, annualize your gross receipts, business income and all shareholders' and officers' income to determine which forms to file and your eligibility for a standard small business tax credit or alternate tax. Do not use annualized numbers on your return; use them only to determine filing requirements and qualifications for credits. See page 6 for complete annualizing instructions.

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Refund only: If your adjusted gross receipts are less than \$250,000 and you are filing this form only to claim a refund, skip lines 10 - 16 and 22-25.

Line 1, Taxable Year. If you operate on a fiscal year, enter the beginning and ending dates (month and year) of your annual accounting period. For periods less than 12 months, enter the beginning and ending dates that correspond to the taxable period you reported to the IRS.

Line 3, Business Start Date. Enter the start date of your first Michigan business activity.

Line 4, Principal Business Activity. Enter a brief description of your business activity. For example, forestry, fisheries, mining, construction, manufacturing, transportation, communication, electric, gas, sanitary services, wholesale trade, retail trade, finance or services.

Line 5, Account Number. Be sure to use the same account number on all forms. Use your federal employer identification number (FEIN) or the Michigan Treasury (TR) number assigned. If your organization type is individual and you do not have an account number yet, enter your Social Security number and enter an S in the box to the right. For all other organization types, if you do not have an account number, leave line 5 blank.

NOTE: Lines 8 and 9 are used only to determine your filing requirements and small business credit eligibility. They are not part of the tax calculation.

Line 8, Gross Receipts. Report your total gross receipts on line 8. For most filers, gross receipts is the sum of lines 1c, 6 and 10 of the U.S. 1120 or 1120A. Use the checklist on page 19 to help you total your receipts correctly. S-corporations determine gross receipts using the worksheet on page 12.

Line 9, Recapture of Capital Acquisition Deduction. If you disposed of depreciable real or personal property during the taxable year, complete page 2 of the *SBT Capital Acquisition Adjustment* (form C-8000D) before continuing. (See instructions, page 29.) You must attach the C-8000D to your return.

Line 10, Business Income. Enter federal taxable income as computed on your U.S. 1120, line 30 or 1120A line 26. S-Corporations enter business income as determined on the worksheet on page 12.

Line 11. Enter the sum of applicable net operating loss and capital loss from your federal schedule that was included in your business income reported on line 10. This cannot be a negative number.

Line 12. Complete and attach *SBT Schedule of Shareholders and Officers* (form C-8000KC).

Unincorporated/S-Corp. Tax Credit Table

If business income* is:	The credit is:
\$20,000 or less	20% of the liability.
More than \$20,000 but less than \$40,000	15% of the liability.
\$40,000 or more	10% of the liability.

*See page 6 for tax years less than 12 months.

Line 15, Unincorporated/S-Corp. Credit. Taxpayers who are unincorporated or are S-corporations are allowed a credit against the SBT. Multiply line 14 by the percent from the table on this page and enter the result on line 15.

Line 18. Enter the total tax paid with your SBT quarterly tax returns (form C-8002), or the estimated single business tax paid with the *Combined Return for Michigan Taxes*. Include all payments made on returns that apply to the current year.

Line 20, Refundable Credits. If you are claiming a Michigan Economic Growth Authority (MEGA) Employment Tax Credit, a Workers' Disability Supplemental Benefit (WDSB) Credit or an Apprenticeship Credit, see *SBT Miscellaneous Credits* (form C-8000MC) on page 41.

Line 23, Penalty and Interest. If you owe penalty and interest for not filing estimated returns or for underestimating your tax, complete *SBT Penalty and Interest Computation for Underpaid Estimates* (form C-8020) to compute penalty and interest due. If you prefer not to file this form, Treasury will compute your penalty and interest and bill you. (See page 51.)

Line 24, Penalty and Interest. See "How Do I Compute Penalty and Interest" on page 6.

Reminder: If someone else prepares your return for you and you do not want to receive an SBT instruction book in the future, please check the box above your signature and we will remove you from the mailing list.

IMPORTANT: You must attach copies of these federal forms to your return.

Corporations U.S. 1120, 1120A,
pages 1 through 4.

If you file as part of a consolidated federal return, attach a proforma or consolidated schedule.

S-Corporations U.S. 1120S pages 1 through 4*

Individuals &
Fiduciaries *Schedules C and E*

Partnerships U.S. 1065 pages 1 through 4*

*Do not send copies of K-1s. We will request them if we need them.

INSTRUCTIONS FOR C-8000C

CREDIT FOR SMALL BUSINESSES AND CONTRIBUTION CREDITS

Purpose: To allow you to choose either the standard or alternate small business credit and to claim your contribution credits.

ELIGIBILITY

You are **not** eligible for either the standard small business credit or the alternate tax if any of the following conditions exist.

1. Gross receipts exceed \$10 million.
2. Adjusted business income after loss adjustment exceeds:
 - a. \$475,000 for corporations and partnerships.
 - b. \$95,000 for individuals or fiduciaries.
3. Any shareholder or officer has compensation or allocated income (after loss adjustment) of over \$95,000; or any partner has distributive share of income (after loss adjustment) of over \$95,000, as determined on C-8000KC or C-8000KP. Allocated income is computed on form C-8000KC, columns K or M

Allocated income for regular corporations is either:

- a. shareholders' or officers' compensation and directors' fees from C-8000KC, column K, or
- b. shareholders' compensation, directors' fees and share of business income (after loss adjustment) or loss from C-8000KC, column M.

If either 3a or 3b is greater than \$95,000, the corporation is not eligible for the small business credit.

Allocated income for S-corporations is:

- a. shareholders' compensation, directors' fees and share of business income (after loss adjustment) or loss from C-8000KC, column M.

If your tax year is less than 12 months, gross receipts, adjusted business income, and shareholders' or officers' share of business income must be annualized to determine eligibility and to compute the small business credit. If annualized gross receipts exceed \$9 million but are less than \$10 million, annualize figures to compute Part 3. See page 6.

Loss Adjustment. If you are not eligible for the small business credit or the alternate tax calculation due to a disqualifier, you may benefit from the SBT Loss Adjustment Worksheet (see page 25). If your adjusted business income was less than zero in any of the five years immediately preceding the tax year for which you are claiming a credit and you received a small business credit for that same year, you may adjust for the loss. A loss adjustment will not help you if your gross receipts exceed \$10 million or if a shareholder or officer of a C corporation has

compensation alone that exceeds \$95,000.

Controlled groups or entities under common control as defined in the IRC are not eligible for the standard small business credit or alternate tax unless the business activities of the entities are consolidated, whether or not a consolidated SBT return is filed. This means the gross receipts, adjusted business income and tax base of **all** members of the group must be combined to determine eligibility and to compute this credit.

In other words, if the combined gross receipts exceed \$10 million, the combined adjusted business income after loss adjustment exceeds \$475,000, or any one individual, partner or shareholder has allocated income after loss adjustment of more than \$95,000 from any one member of the group, the group is not eligible for the credit.

If the group is eligible and files a consolidated SBT return, compute either the standard small business credit or alternate tax on a consolidated basis using form C-8000C.

If separate SBT returns are filed, determine the combined credit and each member's share of the credit on form C-8009. Attach a copy of form C-8009 to each member's SBT return.

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

NOTE: If you are using this form only to claim contribution credits and are not claiming a small business credit, go to line 28.

Part 1, Adjusted Business Income. Business income is adjusted by loss carry forwards and carry backs from your *SBT Annual Return* (form C-8000). It is also adjusted by compensation and director's fees of active shareholders and officers from form C-8000KC.

Part 2, The Small Business Credit. You can compute either the standard or alternate credit.

The alternate tax computation is a simplified way of computing your SBT while still allowing a small business credit. If you wish to file **only** the alternate tax, you may be able to complete the *SBT Simplified Return* (form C-8044) instead. Note that you cannot claim contribution credits on the *Simplified Return*.

You may want to compute your tax with the standard small business credit and with the alternate

credit, then choose the credit to your advantage.

Line 19. If your gross receipts are equal to or less than \$9 million and you are not claiming any contribution credits enter this amount on your C-8000, line 46.

Part 3, Gross Receipts Reduction. Complete this section only if your gross receipts are more than \$9 million but less than \$10 million (annualize for tax periods less than 12 months).

Line 26. If you are not claiming any contribution credits, enter this amount on your C-8000, line 46.

Part 4, Contribution Credits. Complete Part 4 only to claim contribution credits.

Line 29, Community Foundations Credit. A partial credit is allowed when you donate to the endowment fund of a certified community foundation. Write the foundation code on line 29c. If you do not enter a proper code, you will not receive a credit.

Line 31, Homeless Shelter/Food Bank Credit. A partial credit is allowed when you make a cash donation to a qualifying shelter for homeless persons, food kitchen, food bank or other entity whose

primary purpose is to provide overnight accommodations, food or meals to indigent persons. For more information, request *Revenue Administrative Bulletin 1992-10*.

Line 33, Public Contribution Credit. Individuals and fiduciaries are not eligible for this credit. A partial credit is allowed when you donate during the taxable year to institutions of higher learning located in Michigan, Michigan public libraries, the Michigan colleges foundation, public broadcasting stations located in Michigan and any nonprofit corporation, fund, foundation, trust or association organized and operated exclusively for the benefit of institutions of higher learning located in Michigan.

Line 34, Public Utility Property Tax Credit. Corporations (only), enter the total of all taxes imposed for the taxable year under P.A. 282 of 1905. This credit is for taxes assessed on properties of railroad, telegraph and other public utility companies. Taxpayers whose business activities consist of transportation services other than oil or gas by pipeline are not eligible for this credit.

Attach this schedule to your return.

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 1997.

01	Albion Civic Foundation	16	Grand Rapids Foundation
51	Alger Regional Community Foundation		Hudsonville Community Foundation
56	Allegan Foundation		Ionia County Community Foundation
63	Anchor Bay Foundation		Wyoming Community Foundation
02	Ann Arbor Area Community Foundation	46	Grand Traverse Regional Community Foundation
49	Baraga County Community Foundation		Otsego County Community Foundation
58	Barry County Community Foundation	48	Griatiot County Community Foundation
17	Battle Creek Community Foundation	18	Greater Frankenmuth Area Community Foundation
	Athens Community Foundation		
	Homer Area Community Foundation	19	Greater Rochester Area Community Foundation
03	Bay Area Community Foundation	37	Greenville Area Foundation
04	Berrien Community Foundation, Inc.	43	Hillsdale County Community Foundation
45	Branch County Community Foundation	60	Huron County Community Foundation
	Colon Foundation Fund	21	Jackson Community Foundation
36	Cadillac Area Community Foundation	22	Kalamazoo Foundation
64	Canton Community Foundation	23	Leelanau Township Foundation, Inc.
06	Capital Region Community Foundation	55	Livonia Community Foundation
	Eaton County Community Fund	38	Ludington Area Foundation
44	Charlevoix County Community Foundation	25	M & M Community Foundation
41	Community Foundation for Delta Co., MI	65	Mackinac Island Community Foundation
10	Community Foundation of Greater Flint	24	Manistee County Foundation, Inc.
	Clio Fund	39	Marquette Community Foundation
	Fenton Fund		Ishpeming Community Fund
	Grand Blanc Fund		Negaunee Community Fund
20	Comm. Foundation for the Holland/Zeland Area	26	Marshall Community Foundation
11	Community Foundation of Monroe County	05	Michigan Gateway Community Foundation
28	Comm. Foundation for Muskegon County	27	Midland Foundation
	Oceana County Community Foundation	42	Mt. Pleasant Area Community Foundation
29	Comm. Foundation Northeast Mich., Inc.	52	Ontonagon County Community Foundation
09	Comm. Foundation for Southeastern MI	47	Petoskey-Harbor Springs Area Community Foundation
	Comm. Foundation for Livingston Co.	30	Saginaw Community Foundation
	Bedford Community Foundation	61	Sanilac County Community Foundation
35	Community Foundation of St. Clair County	53	Schoolcraft County Community Foundation
50	Dickinson Co. Area Comm. Foundation	31	Shiawassee Foundation
	Norway Area Community Fund	57	Southfield Foundation
59	Eastern U.P. Community Foundation	40	Sturgis Foundation
13	Four County Foundation	62	Tecumseh Community Fund Foundation
14	Fremont Area Foundation	32	Three Rivers Area Foundation, Inc.
	Big Rapids Area Community Foundation	54	Upper Peninsula Community Foundation
	Lake County Community Foundation		Forest Park Area Community Fund
	Osceola Community Foundation		Greater Keweenaw Community Fund
15	Grand Haven Area Community Foundation		Sault Ste. Marie Area Community Fund
	Coopersville Area Foundation		St. Ignace Area Community Fund

SBT LOSS ADJUSTMENT WORKSHEET for the Small Business Credit

Issued under P.A. 257 of 1990.

Use this worksheet to qualify for an otherwise disallowed small business credit or alternate tax by adjusting your current year adjusted business income. This is available only if you had a negative adjusted business income in any of the five tax years immediately preceding this tax year and you received a small business credit in the loss year.

PART 1: Current Year Amounts

Use this section to determine the amount of loss adjustment to the business income you need to qualify for the small business credit.

Business Income Disqualifier is \$475,000

1. Adjusted Business Income (C-8000C, line 9) \$00
2. Less the disqualifier 475,000.00
3. Loss adjustment. Subtract line 2 from line 1 \$00

Shareholder Compensation Disqualifier is \$95,000

4. Enter the amount from C-8000C, line 6 \$00
5. Disqualifier 95,000.00
6. Enter compensation & director fees from
C-8000KC, col. K of the shareholder creating
the disqualifier \$00
7. Subtract line 6 from line 5 \$00
8. Divide line 7 by the percent of ownership (____%)
from C-8000KC, col. G for the shareholder on line 6 \$00
9. Loss adjustment. Subtract line 8 from line 4 \$00

PART 2: Available Loss

Use this section to determine the loss available from the five preceding years.

	1992	1993	1994	1995	1996
10. Did you receive a small business credit? Complete only those columns in which you enter "Y."					
11. Enter adjusted business income as re- ported on C-8000C, line 9 for each tax year that reported a loss.					
12. Amount of loss entered on line 11 used as an adjustment in a prior year.					
13. Loss available for current return. Subtract line 12 from line 11.					
14. Enter the amount from line 3 or 9, whichever is larger.					
15. Loss available for future returns. Subtract line 14 from line 13.					

Attach this worksheet to your return. Keep a copy for your reference.

INSTRUCTIONS FOR LOSS ADJUSTMENT WORKSHEET

Purpose: To adjust your adjusted business income to qualify for the small business credit. This does not affect the calculation of the credit itself.

If your adjusted business income was less than zero in any of the five years immediately preceding the tax year for which you are claiming a credit, and you received a small business credit for that same year, you may adjust for the loss before you figure your eligibility for the small business credit. A loss adjustment will not help you if your gross receipts exceed \$10 million or if a shareholder or officer of a C corporation has compensation alone that exceeds \$95,000.

Part 1: Current Year Amounts

Use this part to determine the amount of loss adjustment necessary to qualify for the small business credit.

If you are not eligible for the credit because your adjusted business income exceeds \$475,000, complete lines 1 through 3.

If you are not eligible because you have a shareholder whose allocated income exceeds \$95,000 or a partner with distributive income that exceeds \$95,000, complete lines 4 through 9 for the shareholder or partner creating the disqualifier.

You may have to calculate both if you have more than one disqualifier. Complete lines 4 through 9 for *each* shareholder or partner who creates a disqualifier. The loss adjustment required is the amount needed to eliminate all disqualifiers.

This worksheet is structured for corporations. To use it for a partnership or individual, make these changes.

Individuals. In Part 1, replace the disqualifier amount on line 2 with \$95,000.

Partnerships. Enter on line 6 any guaranteed payments made to the partner creating a \$95,000 disqualifier. On line 8, divide by the percentage of ownership from the C-8000KP, col. D.

Controlled Groups. A member of a controlled group may use this form for the shareholder compensation disqualifier (lines 4 through 9). But the business income disqualifier must be calculated on a consolidated basis. Substitute consolidated figures for lines 1- 3 and lines 10 - 15.

Part 2: Available Loss

Use this section to determine the loss available from the five preceding years.

Line 10. Enter 'Y' under each year that a small business credit was received.

Line 11. Enter the adjusted business income from C-8000C, line 9 for each tax year that reported a loss. Report the loss in brackets.

Lines 12 - 15. Continue to fill out each year's column only if you entered a Y on line 10 *and* the adjusted business income reported on line 11 was a loss.

Keep a copy of this worksheet for your records.

INSTRUCTIONS FOR C-8000D

CAPITAL ACQUISITION ADJUSTMENT

Purpose: To adjust your tax base for investment in or disposal of depreciable real or personal property.

If you acquired depreciable real or personal property during the taxable year, or disposed of depreciable real or personal property that you acquired on or after January 1, 1976, complete this form and attach it to your annual return.

Property listed must consist of real and personal property that is eligible or will become eligible for depreciation or amortization for federal income tax purposes.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Capital Acquisition Deduction.

Use Part 1 to determine the total cost of depreciable real and personal property to be reported as a capital acquisition deduction.

Line 3. Enter the description, location, date acquired and the total cost paid or accrued of eligible depreciable real and personal property acquired during the tax year and located in Michigan. Include mobile tangible assets acquired during the tax year, whether located in Michigan or outside Michigan. If you need more space, attach a separate sheet.

Mobile tangible assets are all of the following:

- motor vehicles that have a gross vehicle weight rating of 10,000 pounds or more and are used to transport property or persons for compensation;
- rolling stock, aircraft and watercraft used by the owner to transport property or persons for compensation or used by the owner to transport the owners property for sale, rental or further processing; and
- equipment used directly in completion of, or in construction contracts for, the construction, alteration, repair or improvement of property.

Line 4. Enter the total cost paid or accrued during the tax year for all items entered on line 3, column d.

Line 5. Enter the description, location, date physically located in Michigan and the federal adjusted basis as of the date moved, of eligible property acquired for use outside Michigan which was moved into Michigan during the tax year for a business use. Do not include mobile tangible assets. The deduction amount is the federal basis used for

determining gain or loss as of the date the asset is physically located within the state. If you need more space, attach a separate sheet.

Line 6. Enter the total federal adjusted basis for all items entered on line 5, column d.

Line 7. Add lines 4 and 6. If you are not taxable in another state, enter this amount on C-8000, line 35. If you are taxable in another state, complete line 8.

Line 8. If taxable in another state, multiply line 7 by the percentage from form C-8000H, line 16 or 19, whichever applies. Enter on line 8 as the apportioned cost of depreciable property. Enter the total here and on C-8000, line 35.

Line 9. This figure is being requested for statistical purposes. Collection of this information is authorized under MCL 208.80(3).

RECAPTURE OF CAPITAL ACQUISITION DEDUCTION

Use Parts 2 - 4 to compute the proceeds (proceeds include any benefit derived) from the disposition of depreciable real or personal property. Use Part 5 to compute the recapture for property moved out of the state. If you need more space, attach separate schedules.

Part 2, Disposition of Depreciable Real Property Acquired in Tax Years Beginning Before October 1, 1989.

Enter gross proceeds from all dispositions of depreciable **real property** (property as described in IRC Section 1250) **located in Michigan** that was acquired on or after January 1, 1976 and in tax years beginning before October 1, 1989.

Line 10, columns a through f. Give all the information required for each disposition in columns a - f.

Line 11, columns e and f. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in your federal taxable income. Total gain is before capital gain deduction.

Line 12, Adjusted Proceeds. Subtract the total gain or add the total loss on line 11, column f, to the gross proceeds on line 11, column e. A loss on line 11, column f, will increase the recapture.

Line 13. Multiply line 11f by the percentage from form C-8000H, line 16 or 19, whichever applies.

Part 3, Disposition of Depreciable Personal Property Acquired in Tax Years Beginning Before October 1, 1989.

Enter gross proceeds from all dispositions of depreciable **personal property, wherever it is located**, that was acquired on or after January 1, 1976 and in tax years beginning before October 1, 1989.

Line 15, Columns a through f. Give all the information required for each disposition in columns a through f.

Line 16, Columns e and f. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in your federal taxable income. Total gain is before capital gain deduction.

Line 17, Adjusted Proceeds. Subtract the total gain or add the total loss on line 16 column f, to the gross proceeds on line 16 column e. A loss on line 16, column f, will increase the recapture.

Line 18, Apportioned Adjusted Proceeds if Taxable in Another State. Multiply adjusted proceeds on line 17 by the capital acquisition apportionment for the current year from form C-8000H, line 23.

Part 4, Disposition of Depreciable Real and Personal Property That was Sold or Otherwise Disposed of During the Tax Year. Include property acquired in tax years beginning after Sept. 30, 1989 and before Jan. 1, 1997. Also include real and personal property acquired in tax years beginning after Dec. 31, 1996 and located in Michigan, or moved into Michigan after acquisition. Also include mobile tangible assets acquired in tax years beginning after Dec. 31, 1996, whether located in Michigan or outside Michigan.

Line 19. Give all the information required for each disposition in columns a through f.

Line 20. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in your federal taxable income. Total gain is before capital gain deduction.

Line 21, Adjusted Proceeds. Subtract the total gain or add the total loss on line 20, column f, to the gross proceeds on line 20, column e. A loss on line 20, column f, will increase the recapture.

Line 22, Apportioned Adjusted Proceeds if Taxable in Another State. Multiply the amount on line 21 by the percentage from C-8000H, line 16 or 19, whichever applies.

Part 5, Transfers Out of Michigan of All Depreciable Real and Personal Property, Other Than Mobile Tangible Assets, Acquired in Tax Years Beginning After December 31, 1996 for Business Use in Michigan.

Line 23. Give all the information required for each disposition in columns a through e.

Part 6, Total Recapture

Line 26. Enter here and on your annual return (C-8000, line 36 or C-8044, line 9) or on your *Notice of No Return Required*, C-8030, line 5, the total adjustment required as a recapture for the capital acquisition deduction.

If taxable only in Michigan, add lines 12, 17, 21 and 24. If taxable in another state, add lines 14, 18, 22 and 25.

Exception

For taxpayers meeting *all* of the criteria listed below, a capital acquisition deduction is allowed for the cost paid or accrued in the taxable year of those acquisitions of tangible depreciable real and personal property which will become or are eligible for depreciation or amortization for federal income tax purposes *without regard to where they are located*. The cost is then multiplied by the apportionment percentage from C-8000H.

To qualify, a taxpayer must:

- be headquartered in Michigan;
- be incorporated on or before Jan. 9, 1996;
- have between 2 percent and 10 percent of its retail sales from the sale of prescription drugs; and
- sell at retail, all the following products and more than 50 percent of its sales must come from these products:
 - food
 - household products
 - prescriptions
 - health and beauty care products
 - cosmetics
 - pet products
 - carbonated beverages
 - beer, wine or liquor.

Complete line 3 and attach a statement that you qualify under MCL 208.23(h).

Use Part 4 to recapture the sale or other disposition of property acquired in tax years beginning after Dec. 31, 1996.

INSTRUCTIONS FOR C-8000H

APPORTIONMENT FORMULA

Purpose: To determine the portion of your tax base attributable to Michigan.

GENERAL INSTRUCTIONS

Your Michigan tax is based only on the business activity you conduct in Michigan. This activity is measured in three factors: property, payroll and sales. Below is a description of each of the factors.

Each factor is weighted; then the weighted figures are added to determine the portion of activity taxable in Michigan. The property and payroll factors are weighted at 10 percent and the sales factor is weighted at 80 percent. There are different formulas for transportation companies, financial organizations and other authorized taxpayers (see *Formulas for Special Situations* on page 33).

Carry all percentages to six decimal places. Do not round percentages. For example, 24.154256 becomes 24.1542 percent (.241542).

Complete the apportionment schedule using amounts for your business activity only. Do not include amounts from an interest in a partnership or S-corporation.

Property Factor

Property includes real and tangible personal property owned or rented during the tax year. **Tangible personal property** is machinery, tools, inventory, implements, equipment, goods, wares and merchandise. **Real property** includes land, buildings and construction in progress.

Determine the **average value** of your property by averaging the values at the start and end of the tax period. The commissioner may require the periodic averaging of values during the tax year if reasonably required to reflect properly the average value of the taxpayer's property.

Value property you own at its original cost.

Value property you rent at eight times the net annual rental rate, which is the annual rental rate paid less any rental rate received from subrentals.

The factor is computed by dividing the total value of your Michigan property (line 5) by the total value of all your property (line 8).

Payroll Factor

Payroll consists of wages paid during the tax year.

Total payroll should equal the amount you entered on form C-8000, line 12.

For purposes of apportionment only, **wages** means wages as defined in IRC Section 3401.

Wages are considered paid in Michigan if:

1. the employee's service is performed entirely in Michigan;
2. the employee's service is performed in Michigan and in other states, but the service performed outside Michigan is incidental to the employee's service in Michigan;
3. some of the employee's service is performed in Michigan and the base of operations or the place from which the service is controlled is in Michigan; or
4. the base of operations or place from which the service is controlled is not in any state in which some part of the service is performed, but the individual's residence is in Michigan.

The factor is computed by dividing the wages paid in Michigan during the tax year (line 10) by the total wages paid everywhere (line 11).

Sales Factor

Sales include gross receipts from the sale of tangible property, from the rental of property and from services provided as part of your business activity (e.g. legal or accounting services). **Sales should equal the amount entered on form C-8000, line 10.**

Sales of tangible personal property are attributable to Michigan if:

1. the property is shipped or delivered to a purchaser (other than the United States Government) within Michigan regardless of the freight on board (F.O.B.) point or other conditions of the sale; or
2. the property is shipped from an office, store, warehouse, factory or other place of storage in Michigan and the purchaser is the United States Government or the filer is not taxable in the state of the purchaser.

For purposes of sales of tangible personal property only, **state** means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States or its political subdivisions.

A filer is taxable in another state if:

1. in that state the filer is subject to a business privilege tax, a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, a corporation stock tax, or a tax of the type imposed under the Michigan SBT Act; or
2. that state has jurisdiction to subject the filer to one or more of the taxes regardless of whether the tax is imposed.

Sales (other than the sale of tangible personal property) are attributable to Michigan if:

1. the business activity is performed in Michigan;
2. the business activity is performed both in Michigan and in other states, but based on the cost of performance, a greater proportion is performed in Michigan; or
3. receipts are derived from services performed for planning, designing, or construction activities within Michigan.

The factor is computed by dividing the total Michigan sales (line 13) by the total sales everywhere (line 14).

Example 1

<u>Factor</u>	<u>Column A</u>		<u>Column B</u>		<u>Column C</u>
Property	10%	x	10%	=	1%
Payroll	10%	x	10%	=	1%
Sales	50%	x	80%	=	<u>40%</u>
					42%

Apportionment percentage is 42%.
Enter this percentage on line 16.

FORMULAS FOR SPECIAL SITUATIONS

Fewer Than Three Factors

If your business does not have three factors (if line 8, 11 or 14 is zero), you must reweight the factors to compute your apportionment percentage. To reweight, add the weighted percentages in column C for the factors you have; then add the weighting factors in column B for the factors you have. Divide the sum of column C by the sum of column B. Use this percentage to figure your apportioned tax base on C-8000, line 33.

Example 2

<u>Factor</u>	<u>Column A</u>		<u>Column B</u>		<u>Column C</u>
Property	10%	x	10%	=	1%
Payroll	none				
Sales	50%	x	<u>80%</u>	=	<u>40%</u>
			90%		41%

$41\% \div 90\% = 45.5555\% (.455555)$.
Enter this percentage on line 16.

Transportation of Oil by Pipeline

Your apportionment percentage is based on barrel-miles. Enter on line 17 the barrel-miles transported in Michigan during the tax year. Enter on line 18 the total barrel-miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure your apportioned tax base on C-8000, line 33.

Transportation of Gas by Pipeline

Your apportionment percentage is based on 1,000 cubic-foot miles. Enter on line 17 the 1,000 cubic-foot miles transported in Michigan during the tax year. Enter on line 18 the total 1,000 cubic-foot miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure your apportioned tax base on C-8000, line 33.

Example 3: Formula for Transportation Services

$$\begin{array}{rcl}
 \frac{\text{Michigan revenue-miles for property}}{\text{Total revenue-miles for property}} & \times & \frac{\text{Gross receipts for property}}{\text{Total gross receipts}} \\
 + & & \\
 \frac{\text{Michigan revenue-miles for people}}{\text{Total revenue-miles for people}} & \times & \frac{\text{Gross receipts for people}}{\text{Total gross receipts}} \\
 \hline
 = & \text{Your apportionment percentage} &
 \end{array}$$

Other Transportation Services

Your apportionment percentage is based on revenue-miles. A **revenue-mile** means the transportation of one net ton of property or one passenger for the distance of one mile. For example: 40 tons x 100 miles = 4,000 revenue miles. Enter on line 17 the revenue-miles transported in Michigan during the tax year. Enter on line 18 the total revenue-miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure your apportioned tax base on C-8000, line 33.

If you transport both property and passengers, determine the portion subject to Michigan tax by first computing separate percentages (as described above) for property transported and for passengers transported. Then divide your gross receipts for each activity by the total gross receipts. Multiply the percentage of gross receipts by the transportation percentage. Sum the results of both calculations and use the percentage to figure your apportioned tax base on C-8000, line 33. **See Example 3 on page 33.**

Financial Organizations

Your apportionment percentage is based on gross business. **Gross business** is the sum of:

1. fees, commissions or other compensation for financial services;
2. gross profits from trading in stocks, bonds, or other securities;
3. interest charged to customers for carrying debit balances of margin accounts without deduction of any costs incurred in carrying the accounts;
4. interest and dividends received; plus
5. any other gross income resulting from operations as a financial organization.

Enter on line 17 your gross business in Michigan during the tax year. Enter on line 18 the total gross business everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure your apportioned tax base on C-8000, line 33.

LINE-BY-LINE INSTRUCTIONS

If 100 percent of your property and payroll are attributable to Michigan, you must show proof that substantial nexus has been created with another state. Please attach copies of returns filed with that state and a description of activity in that state to help us verify nexus.

Lines not listed are explained on the form.

Lines 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1,

Computation of Apportionment Percentage.

Line 9. Multiply the amount in column A by 10 percent and enter the total in column C.

Note: The revenue commissioner may require periodic averaging of property values during the tax year if this is reasonably required to reflect the average value of the filer's property.

Line 12. Multiply the amount in column A by 10 percent and enter the total in column C.

Line 15. Multiply the amount in column A by 80 percent and enter the total in column C.

Line 16. Add the percentages in column C lines 9, 12 and 15 to arrive at apportionment percentage. Use this percentage to figure your apportioned tax base on C-8000, line 33 unless you use a formula for a special situation.

Part 2, Transportation Services, Financial Organizations, or Taxpayers Authorized to Use a Special Formula.

Lines 17-19. Use these lines if you provide transportation services, are a financial organization or if you are authorized by the revenue commissioner to use a special formula (see *Formulas for Special Situations* on page 33). If you use these lines, attach a detailed explanation.

Part 3, Capital Acquisition Apportionment

Complete this section only if you disposed of depreciable personal property that you acquired in a tax year beginning before October 1, 1989.

Line 23. If you have both property and payroll factors, (you entered amounts greater than zero on lines 8 and 11), divide line 22 by 2 to get the average percentage. If you have only one factor, enter the percentage shown on line 22.

Use this percentage to compute your capital acquisition deduction on form C-8000D, line 18.

Attach this schedule to your annual return.

INSTRUCTIONS FOR C-8000KC

SCHEDULE OF SHAREHOLDERS AND OFFICERS

Purpose: To determine eligibility for the standard small business credit or alternate tax and which shareholders qualify for the increased exemption.

If you are filing as a corporation and claiming a statutory exemption, standard small business credit or are calculating the alternate tax, complete this form and attach it to your annual return to report:

- qualified shareholders for the increased statutory exemption.
- compensation and director fees of all shareholders for the computation of the statutory exemption.
- shareholders and officer qualifications for the small business credit.
- compensation and director fees of active shareholders and all officers for the computation of the small business credit.

Lines not listed here are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Line 3 (Columns A-M). Shareholders and Officers

In column 3A, a through h, list and describe all shareholders and officers who:

- are employees of the corporation,
- are directors of the corporation, or
- own 20 percent or more of the stock of the corporation including those by attribution.

An **officer** of any corporation, *other than an S-corporation*, includes the chairperson of the board, president, vice-president, secretary and treasurer, or persons performing similar duties.

Columns A and B: Identify each officer and shareholder (including corporation and trust and those with ownership by attribution) by name and Social Security number. Corporations or trusts, identify using federal employer identification number.

NOTE: Rules of attribution do not differentiate between an adult and a minor child (IRC Section 318(a)(1)).

Column D: Enter the percent of each shareholder's time that is spent working in this business. (This requirement is for statutory exemption only.)

Column E: Enter the percent of outstanding stock each officer or shareholder owns. If a shareholder

owned stock for a period less than the corporation's tax year, multiply that shareholder's percentage of ownership by the number of months owned and divide the result by the number of months in the corporation's tax year. **You must account for 100 percent of the stock.** If it is not accounted for, your return may be delayed.

Column F: Enter the percent of outstanding stock each shareholder owns, including attribution of ownership from family members under IRC section 318(a)(1). The percentage of ownership in column F **must be greater than or equal** to the percentage of ownership in column E.

Column G: Enter the percent of outstanding stock each shareholder owns, including attribution of ownership **only** from or to family members who are **not** active shareholders (See definition of active shareholders below). For the purposes of determining disqualification, an active shareholder's share of business income is not attributed to another active shareholder.

Example

In this case, the husband and daughter are active shareholders. The wife and son are non-active because compensation, directors fees or dividends from the business are less than \$10,000.

	% Stock		
	Column E	Column F	Column G
Husband	40%	100% (all share- holders)	70% (husband, wife & son)
Wife	10%	100% (all share- holders)	100% (all share- holders)
Son	20%	70% (husband wife & son)	70% (husband, wife & son)
Daughter	30%	80% (daughter, husband & wife)	40% (daughter, & wife)

NOTE: Column G is the same as Column F, minus any attribution between two active shareholders. All columns should add up to at least 100 percent.

Column H: Enter total dividends received by each shareholder during the tax year from this business (used to determine active shareholders). This includes regular distributions for an S-Corporation.

Column I: Enter salaries, wages and director's fees from C-8000, line 12 that are attributable to each shareholder or officer.

Column J: Enter employee insurance payments and pensions from C-8000, lines 13 through 15, that are attributable to each shareholder or officer.

Column L: In determining share of business income, the Department of Treasury cannot attribute stock ownership between two active shareholders.

Multiply the amount on form C-8000C, line 6 (sum of business income and losses) by the percentage in column G for each shareholder and enter the result in column L.

Members of a controlled group or affiliated companies. Multiply the percentage in column G by the sum of the following:

- business income on C-8000, line 11
- any capital loss carryover or carryback on your C-8000 line 21.
- any net operating loss carryover or carryback on your C-8000, line 22

Remember, percentages in column G must be equal to or greater than those in column E.

Part 2, Lines 4 and 5. Statutory Exemption

Line 4, Qualified Shareholders. S-corporations and professional corporations, enter on line 4 the number of shareholders who qualify for the increased exemption. Enter the same number on C-8043, line 8a.

A qualified shareholder:

- is a shareholder of an S-corporation or professional corporation (PC), and
- is a full-time employee of the taxpayer or devotes at least 51 percent of his or her time to the business (column D = 51 percent or more), and
- owns (without attribution) at least 10 percent of the business (column E = 10 percent or more), and
- whose share of business income is at least \$12,000. Share of business income = compensation + share of business income determined without attribution.

For short-period returns or a part-year shareholder, the shareholder's business income must be annualized to meet this requirement. See page 6.

Note: A person cannot serve as a qualified share-

holder in more than one business.

Line 5, Compensation and Director's Fees of All Shareholders. All corporations, regardless of type, should add the compensation and director's fees in column K for each shareholder showing ownership in column E and enter the result on C-8043, line 5.

Note: You must complete the Statutory Exemption Schedule (form C-8043) to determine the allowable exemption.

Part 3, Lines 6 and 7. Small Business Credit

Line 6, Compensation and Director's Fees of Active Shareholders. Add compensation and director's fees in column K for each active shareholder and enter the result on line 6 and on form C-8000C, line 7.

An active shareholder:

- is a shareholder of the corporation, *including through attribution*, and
- owns at least 5 percent of outstanding stock (column F = 5 percent or more), and
- receives at least \$10,000 in compensation, director fees or dividends from the business (sum of columns H and K = \$10,000 or more).

For short-period returns or part-year shareholder the shareholder's compensation, director fees and dividends must be annualized to meet this requirement. See page 6 for complete annualization instructions.

Line 7, Compensation and Director's Fees of Officers. Add the compensation and directors fees in column K for each officer who is **not** an active shareholder and enter the result on line 7 and on C-8000C, line 8.

Remember, officers of an S-Corporation are not included in this calculation.

NOTE: If you are filing the simplified return (form C-8044), enter the total of lines 6 and 7 on line 12 of that form.

INSTRUCTIONS FOR C-8000MC MISCELLANEOUS CREDITS

Purpose: To allow eligible taxpayers to claim the Michigan Economic Growth Authority, Workers' Disability Supplemental Benefit, Apprenticeship, Enterprise Zone, Renaissance Zone, Brownfield and Capital Acquisition Deduction credits. These credits have strict eligibility requirements. Review the descriptions carefully before claiming a credit. Follow the instructions on the form for each credit.

PART A: REFUNDABLE CREDITS

The Michigan Economic Growth Authority (MEGA) Employment Tax Credit promotes economic growth and jobs in Michigan. Projects must be certified by MEGA. Approved businesses receive a certificate from MEGA each year showing the total amount of tax credit allowed. Attach your *Annual Tax Credit Certificate* to your return to substantiate your claim. Your credit will be disallowed if the certificate is not attached. For more information, call the Michigan Jobs Commission at 517-373-9808.

Workers Disability Supplemental Benefit (WDSB) Credit is available to self-insured employers only for the amount authorized by the Department of Labor during the tax year. The authorization date and the amount of credit are on the credit list (LW06401) given to you by The Department of Labor. Attach a copy of the credit list(s) to your return to substantiate your claim. For more information on WDSB credit eligibility, call the Michigan Department of Labor at 517-322-1879.

The Apprenticeship Credit encourages businesses to hire and provide training to young people. The credit equals 50 percent of the payroll expenses paid for the benefit of an apprentice in a qualified program *plus* 100 percent of the cost of classroom instruction and related expenses. Apprentices are 16 - 19 years old and are enrolled in either high school or a GED program. The credit is available in tax years beginning after December 31, 1996. Maximum credit is \$2,000 annually per apprentice. To substantiate your claim, attach a copy of an approved federal *ETA 671* form to your return for each apprentice. For more information, call the U.S. Department of Labor, Bureau of Apprenticeship and Training at 517-377-1746.

PART B: NONREFUNDABLE CREDITS

The Enterprise Zone Credit encourages businesses to locate and expand in areas with high unemployment, low income, high property taxes and low property value. Once certified by the Michigan Jobs Commission, a qualified business is eligible for a credit equal to the amount of tax liability attributable to business activity in the enterprise zone. The only certified enterprise zone eligible for this credit is in Benton Harbor. As of Dec. 31, 1996, no new applications are being accepted for this credit. Be sure to enter the street address or the parcel number of the property before you begin the calculation. For more information, request *Revenue Administrative Bulletin 1993-10* or call the Michigan Jobs Commission at 517-373-9808.

The Michigan Economic Growth Authority (MEGA) Business Tax Credit promotes economic growth and jobs in Michigan. Projects must be certified by MEGA. Each year, approved businesses receive a certificate from MEGA showing the total amount of tax credit allowed. Attach your *Annual Tax Credit Certificate* to your return to substantiate your claim. Your credit will be disallowed if the certificate is not attached. If the credit exceeds your tax liability for the year, the difference may be carried forward for the next 10 tax years. For more information, call the Michigan Jobs Commission at 517-373-9808.

The Renaissance Zone Credit encourages businesses and individuals to move into a designated zone to help revitalize the area. A business located and conducting business activity within a renaissance zone may claim a credit for tax years beginning after December 31, 1996. Be sure to enter the street address or the parcel number of the property before you begin the calculation. Any business activity related to a casino (including operating a parking lot, hotel, motel or retail store), cannot be used to calculate this credit.

For tax years beginning in 1997, a business is not eligible for this credit if, as of Dec. 31, 1996, it was delinquent in paying a property tax, single business tax or city income tax.

For the credit to be valid, attach a copy of the letter sent to you by your local government, (e.g. township,

city, county), showing that the business property is located within the renaissance zone.

For more information, contact the Michigan Jobs Commission at 1-800-94NoTax or 517-373-9808.

The Brownfield Credit encourages businesses to make new investment on a Michigan property where hazardous substances have been released. Be sure to enter the street address or parcel number of the property before you begin the calculation. This credit is equal to 10 percent of the cost of eligible investment paid or accrued during the tax year. Eligible investments include costs for demolition, construction, restoration, alteration, renovation or improvement of buildings on the eligible property, and the addition of machinery, equipment and fixtures to the eligible property.

What is eligible investment? You may claim only that investment that meets *all* of the following criteria.

- Investment made on a property that is designated within a brownfield plan as **eligible property**.

Eligible property has had hazardous substances released on it. Only investments made on that property, **not** adjacent or contiguous properties, are eligible for this credit.

- The investment must be made after the brownfield plan designating the eligible property was adopted and after **eligible activities** under the plan have begun.

Eligible activities are one or more of the following:

- a. baseline environmental assessment,
- b. due care activities, or
- c. additional response activities.

Note that these eligible activities must be started before any investment you make can be claimed for an SBT brownfield credit.

- If you were, in any way, responsible for the release of hazardous substances on the property, you may not claim a credit for that property. When you claim this credit, you are stating that you are not liable for response activity at the eligible property for which you are claiming a credit (P.A. 451 of 1994; MCL section 324.20126).

The maximum lifetime brownfield credit for a taxpayer and its affiliates is \$1,000,000. This can be received in the first year or over a period of years. In the future, use the following chart to calculate the amount of credit you can claim.

- a. Total brownfield credits claimed to date _____
- b. Amount of any unused credit _____
- c. Add lines a and b _____
- d. Subtract line c from \$1,000,000 _____

This is the amount of credit left for you to claim.

For the credit to be valid, attach a copy of supporting documents showing the property as eligible for the SBT credit. If the credit exceeds your tax liability for the year, the difference may be carried forward for the next 10 tax years. For information about eligibility requirements or how to file a Brownfield Redevelopment Plan, contact your local Brownfield Redevelopment Authority. For questions about the credit, contact the Single Business Tax Division at 517-373-8030.

The Capital Acquisition Deduction Credit limits any tax increase resulting from changes to the apportionment formula and capital acquisition deduction to \$5,000,000 per year. The credit may not be claimed against the tax base of insurance companies or by a firm that has an adjusted tax base over 50 percent of its gross receipts and chooses to reduce its tax base by the excess. The credit is effective for tax years beginning in 1997.

Attach this schedule to your return.

INSTRUCTIONS FOR C-8000S REDUCTIONS TO ADJUSTED TAX BASE

Purpose: To reduce your adjusted tax base by excess compensation or gross receipts.

If either of the following applies to you, you may reduce your tax base before figuring your tax.

1. Total compensation (from C-8000, line 16), comprises more than 63 percent of your tax base.
2. Adjusted tax base (from C-8000, line 42) is greater than 50 percent of gross receipts plus recapture.

Carry all percentages to six decimal places. Do not round percentages. For example 24.154256 percent becomes 24.1542 percent (.241542).

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Compensation Reduction.

Lines 3 - 8. In this part, you compute the percentage of your tax base that is attributable to compensation, then compute the amount by which you can reduce your adjusted tax base. If your tax base is made up of more than 63 percent compensation, you may reduce your adjusted tax base by the percentage that is more than 63 percent. For example, if 70 percent of your tax base is made up of compensation, you may reduce your adjusted tax base by 7 percent (70 - 63). Complete Part 2 and determine which method is to your advantage.

Part 2, Gross Receipts Reduction.

SHORT-METHOD FILERS COMPLETE LINES 9 - 14 ONLY. Short-method filers should enter the amount from line 14 on C-8000, line 44.

Lines 9 -15. In this part, you compute 50 percent of your apportioned gross receipts plus recapture of the capital acquisition deduction. Then you compute the amount by which you can reduce your adjusted tax base.

Part 3, Summary

Line 16. You may use only one method to reduce your adjusted tax base. Compare the amounts on lines 8 and 15. Enter the larger amount here and on your C-8000, line 43.

Attach this schedule to your return.

INSTRUCTIONS FOR C-8009

ALLOCATION OF STATUTORY EXEMPTION, STANDARD SMALL BUSINESS CREDIT AND ALTERNATE TAX FOR MEMBERS OF CONTROLLED GROUPS

Purpose: To supplement the C-8000C and the C-8043 for members of controlled groups.

If you are a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' adjusted gross receipts to determine if members of the group need to file. Do not include members whose adjusted gross receipts are less than \$100,000; these members are not required to file an SBT return. This is effective for tax years ending after June 30, 1994.

Members whose adjusted gross receipts are less than \$100,000 must include their business activity when figuring the small business credit on the C-8009. For these members, report *tax before credits* on lines 12 and 22 as zero.

All controlled groups, including affiliated groups, controlled groups of corporations and entities under common control, must complete this schedule to allocate the statutory exemption and calculate the standard small business credit or alternate tax.

Exception: Groups of corporations that have received approval and are filing a consolidated SBT annual return do not need to file this schedule, unless there are members of the controlled group not included in the consolidated filing.

If claiming either the alternate credit or the standard small business credit, each member must calculate its tax before credits on form C-8000.

Attach a copy of this schedule to each member's C-8000 claiming a statutory exemption, standard small business credit or alternate tax.

Controlled groups are two or more trades or businesses (whether or not incorporated) under common control as defined in the Internal Revenue Service Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations. Controlled groups as defined in the IRC are not eligible for the standard small business credit or alternate tax unless the business activities of the entities are consolidated, whether or not a consolidated SBT return is filed. This means the gross receipts, adjusted business income and tax base of **all** members of the group must be combined to

determine eligibility and to compute this credit. Do not include members who have no activity in Michigan.

In other words, if the combined gross receipts exceed \$10 million or the combined adjusted business income after loss adjustment exceeds \$475,000 or any one individual, partner or shareholder (including corporate shareholders) has allocated income after loss adjustment of more than \$95,000 from any one member of the group, the group is not eligible for credit.

If the group is eligible and files a consolidated SBT return, compute the small business credit or alternate tax on a consolidated basis using form C-8000C.

If separate SBT returns are filed, determine the combined credit and each member's share of the credit on form C-8009. Attach a copy of form C-8009 to each member's SBT return. All members must choose the same credit calculation (standard or alternate).

An **affiliated group** is two or more corporations, one of which owns or controls, directly or indirectly, 80 percent or more of the capital stock of the other corporation(s) with voting rights.

ELIGIBILITY

The standard small business credit and the alternate tax are **not** available to any controlled group member if any of the following conditions exist:

- combined gross receipts (line 11, column D) over \$10 million;
- combined adjusted business income (line 10, column D) minus loss adjustment over \$475,000;
- a member is an individual (sole proprietor) or fiduciary with business income minus loss adjustment over \$95,000;
- a member has a partner with distributive share of business income minus loss adjustment (member's C-8000KP, column E) over \$95,000; or
- a member has a shareholder or officer with allocated income minus loss adjustment over \$95,000. Allocated income is computed on form C-8000KC.

If a member of the group has a tax year less

than 12 months, its gross receipts, adjusted business income and share of business income must be annualized to determine eligibility and to compute the small business credit. If annualized gross receipts exceed \$9 million but are less than \$10 million, you must complete Part 6. See page 6 for complete annualizing instructions.

Loss Adjustment. If you are not eligible for the small business credit or the alternate tax calculation due to a disqualifier, you may benefit from the SBT Loss Adjustment Worksheet (see page 25). If your adjusted business income was less than zero in any of the five years immediately preceding the tax year for which you are claiming a credit and you received a small business credit for that same year, you may adjust for the loss. A loss adjustment will not help you if your gross receipts exceed \$10 million or if a shareholder or officer of a C corporation has compensation alone that exceeds \$95,000.

CONTROLLED GROUPS THAT HAVE MEMBERS WITH DIFFERENT TAX YEARS

Each member's business activities attributable to its **tax year ending within the 1997 calendar year** are consolidated on this form to allocate the statutory exemption and determine standard small business credit or alternate tax. **This determination cannot be made until the end of the latest tax year in the group.**

Members with earlier tax years may:

1. request an extension; or
2. file the SBT returns without claiming either the statutory exemption or the small business credit.

Determine the exemption allocation and credit when the member having the latest year end completes its tax year. Other members must then amend their returns to claim any exemption or credit. **The total credit cannot be allocated to the return of the latest year end.**

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Member Identification. Enter in the appropriate column the name, year end, FEIN and organization type of each member. When completing the rest of this form, use the lower case letter (a, b, c, etc.) to the left of each name to refer to a member. If you need more space, attach a schedule identifying

additional members with consecutive letters.

Part 2, Statutory Exemption.

One statutory exemption is allowed to a controlled group, affiliated group or a group of entities under common control. Allocate the exemption to members using any method agreeable to all members.

Members whose adjusted gross receipts are less than \$100,000 are not required to use any portion of the statutory exemption, but must include their business activity when figuring the small business credit.

Enter on line 4 the portion of the statutory exemption that is allocated to each member. Use the amount allocated to calculate the allowable exemption for each member on C-8043.

Part 3, Adjusted Business Income. Business income is adjusted by loss carry forwards and carry backs from your *SBT Annual Return* (form C-8000), and by compensation and directors' fees of active shareholders and officers from form C-8000KC.

Part 4, Alternate Tax for Small Businesses. The alternate tax computation is a simplified way of computing your SBT while still allowing a small business credit. Calculate an alternate tax credit for the group. Each member's share of alternate credit is based on the ratio of its tax liability before credits to total combined tax liability before credits. Compute your tax using both the alternate tax and the standard small business credit and file using the method to the group's advantage.

Part 5, Standard Small Business Credit. Use this section to determine the group's standard small business credit. Calculate a combined credit percentage for the group. This percentage is then used to calculate each entity's standard small business credit.

Part 6, Gross Receipts Reduction. Complete this section only if your combined gross receipts are more than \$9 million but less than \$10 million. Annualize for tax periods less than 12 months.

Part 7. If you are claiming contribution credits, enter this amount on form C-8000C, line 27. If not, enter this amount on C-8000, line 46.

REMEMBER: The group must choose either the alternate tax or the standard small business credit. All members must use the same calculation.

INSTRUCTIONS FOR C-8020 PENALTY AND INTEREST COMPUTATION FOR UNDERPAID ESTIMATED TAX

Purpose: To compute penalty and interest for underpaying, late filing or late payment of quarterly estimates. *If you prefer not to file this form, Treasury will compute your penalty and interest and bill you.*

Estimated returns and payments are required from any taxpayer who expects an annual SBT liability of more than \$600. Exceptions are listed below. If you owe estimated tax and your estimated return with full payment is not filed or is filed late, a penalty of 5 percent of the tax per month (maximum of 50 percent) will apply. If you made no estimated tax payments and none of the exceptions below apply to you, compute the interest due (Part 2) and the penalty for non-filing (Part 3).

If an estimated return is filed with an insufficient payment, a 10 percent negligence penalty or 25 percent intentional disregard penalty may apply. If your estimated tax payments are underpaid and none of the exceptions below apply to you, compute the interest for underpayment in Part 2. If the 10 percent negligence penalty or 25 percent intentional disregard penalty applies, Treasury will bill you.

Exceptions

If any of the conditions listed below apply to you, you do not need to file this form or pay penalty and interest. If your business operated less than 12 months in the preceding year, annualize your figures to determine if the exceptions apply. See page 6 for complete annualizing instructions.

1. The annual tax on your current annual return is \$600 or less.
2. You had business activity in Michigan in the preceding tax year, but were not required to file an SBT return for that year.
3. Your estimated quarterly payments reasonably approximate the tax liability incurred for each quarter, and the total of all payments equals at least 85 percent of your annual liability. Complete the annualization worksheet if your liability is not evenly distributed through your tax year.
4. Your estimated quarterly payments reasonably approximate the tax liability incurred for each quarter, and the total of all payments equals at least 1 percent of the gross receipts for the tax

year. Complete the annualization worksheet if your liability is not evenly distributed through your tax year.

5. You are a farmer, fisher or seafarer and file your C-8000 annual return by March 1 or a tentative annual return with your payment by January 15 and your final annual return on or before April 15.
6. The sum of your estimated payments equals the annual tax on the preceding year's return providing these payments were made in four timely equal payments (or 12 if paid on your SUW returns) and the preceding year's tax was \$20,000 or less.

LINE - BY - LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Estimated Tax Required for the Year.

Line 4. Enter 85 percent of the annual tax amount on line 3. If your preceding year's tax was less than \$20,000 (annualize if less than 12 months), enter the smaller of the preceding year's tax or 85 percent of line 3.

Line 5. Payment Due Dates. Enter the due date for each quarterly return. For calendar-year filers these dates are April 30, July 31, October 31 and January 31. For fiscal-year filers, these dates are four, seven, 10 and 13 months after the start of your fiscal year. Payment is due on the last day of the month.

Line 6. Divide the amount of the estimated tax required for the year on line 4 by 4 and enter this as your estimated tax for each quarter. If your business operated less than 12 months, divide by the number of quarterly returns required and enter this as your estimated tax for each quarter.

Actual Quarterly Tax. If you compute quarterly tax based on the actual tax base for each quarter, enter the tax from line 29 of the annualization worksheet. The total of the four computed amounts cannot be less than 85 percent of the current year tax liability.

Line 7. Complete column A only. Enter the amount of prior year overpayment credited to your current year tax estimates.

Line 8. Amount Paid.

Column A	Enter estimated payments made by the due date for the first quarterly return.
Column B	Enter payments made after the due date in column A and by the due date in column B.
Column C	Enter payments made after the due date in column B and by the due date in column C.
Column D	Enter payments made after the due date in column C and by the due date in column D.

If quarterly payments are made after the due date, penalty and interest will apply until the payment is received. If less than full payment is made with a late filing, you will need to compute multiple penalty and interest calculations for each column. Attach a separate schedule.

Part 2, Figuring the Interest.

This section computes the interest due for both non-filing and underpayment of the required estimated tax. Follow the instructions for each line, as the interest amount is different for each quarter.

Line 17. Enter the due date of your next quarter or the date the tax was paid, whichever is earlier. In column D, enter the earlier of the due date for your annual return or the date the tax was paid. An approved extension does not change the due date of the annual return (column D) for this computation.

Part 3, Figuring the Penalty.

This section computes the penalty for non-filing of the required estimated tax payments. If you made any estimated tax payments, do not compute the penalty. The Department of Treasury will review the estimates filed and, if necessary, bill you for the appropriate penalty on the underpayment of estimates.

Avoiding Penalty and Interest

If you had business activity in Michigan in 1997 and your 1997 tax is \$20,000 or less, you can avoid paying penalty and interest in 1998 by using your 1997 tax as the basis for your 1998 estimates. Divide your 1997 tax by 4 (e.g. $\$20,000 \div 4 = \$5,000$) and pay that amount on the 1998 quarterly due dates. (You may also divide by 12 and pay that amount with your monthly sales, use or withholding tax payment.) If you had business activity in Michigan in 1997 but were not required to file a 1997 return, you can still use your 1997 tax as the basis for filing your 1998 estimates. In this case, your 1997 tax liability would have been zero, so quarterly payments would not be required for 1998.

If your previous year was less than 12 months, annualize the previous year's tax liability to determine if estimates are due and the amount due. See page 6 for complete annualizing instructions.

ANNUALIZATION WORKSHEET

You may use the annualization worksheet to determine the amount of estimates due when your income is not evenly distributed through the tax year.

Attach this schedule to your return.

INSTRUCTIONS FOR C-8030

NOTICE OF NO SBT RETURN REQUIRED

Purpose: To notify Treasury that your tax situation does not require you to file an *SBT Annual Return*.

If you received a tax booklet in the mail but your adjusted gross receipts are less than \$250,000, file this form to notify Treasury that you do not need to file an annual return. ***If you expect this situation to continue***, check box 8 and we will make your SBT account inactive and you will not receive future forms and instruction mailings. You will not need to file any future SBT forms unless your adjusted gross receipts become \$250,000 or more.

If you are a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' adjusted gross receipts to determine if members of the group need to file. Do not include members whose adjusted gross receipts are less than \$100,000; these members are not required to file an SBT return and can discontinue their accounts by contacting the Registration Section at 517-373-0888.

NOTE: You must file a complete annual return (C-8000 or C-8044) instead of this form if any of the following conditions exist.

- Your adjusted gross receipts are \$250,000 or more.
- You are due a refund (see below).
- You are reporting a business loss.
- You are using a business loss carry forward from preceding year(s).

REFUNDS. If you need to claim a refund of payments made, you may file an *SBT Simplified Return* (C-8044) even if you don't meet the qualifying criteria listed for that form. If you are apportioning gross receipts, reporting a business loss or using a business loss carry forward, file an *SBT Annual Return* (C-8000) to claim your refund.

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 1, Taxable Year. If you operate on a fiscal year, enter the beginning and ending dates (month and year) of your annual accounting period. For periods less than 12 months, enter the beginning and ending dates that correspond to the taxable period you reported to the IRS.

Line 3, Account Number. Use your federal employer identification number (FEIN) or the Michigan Treasury (TR) number assigned. Be sure the same account number is used on all attached forms.

Line 4, Gross Receipts. Use the checklist on page 11 to be sure you have totalled your receipts correctly. Use the worksheet in the instructions for form C-8000 to determine your gross receipts.

If your tax year is less than 12 months, you must annualize your gross receipts to see if you are eligible to file this form. To annualize, multiply your gross receipts by 12 and divide by the number of months in which you had business activity. Enter this amount on line 4 and write **annualized** above it. See the general instructions for full annualizing instructions.

Line 5, Recapture of Capital Acquisition Deduction. If you disposed of depreciable real or personal property in the taxable year, enter your recapture of capital acquisition deduction from form C-8000D.

Line 7, Business Income. Use the worksheet in the C-8000 instructions to determine your business income.

Line 8. Check this box if your adjusted gross receipts are less than \$250,000 and you expect this situation to continue or if you have discontinued. If you check this box, your SBT account will become inactive and you will not receive future forms and instruction mailings. If, during the course of doing business, your adjusted gross receipts become \$250,000 or more, you must contact the Treasury Registration Section at 517-373-0888 and begin filing returns.

Line 9. Check this box if you do not want a book mailed to you in the future. We will remove your name from our mailing list.

SIGNATURE

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer, officer's agent or association member. If someone other than the above has prepared the return, the preparer must also sign it and give his/her business address and phone number.

Attach all applicable federal forms except K-1s. We will request them if we need them.

Mail this form and all applicable schedules to:

**Michigan Department of Treasury
P.O. Box 30059
Lansing, MI 48909**

INSTRUCTIONS FOR C-8043 STATUTORY EXEMPTION SCHEDULE

Purpose: To compute the allowable statutory exemption.

NOTE: For most filers, the statutory exemption is available only if business income is less than \$67,500. For most corporations, the statutory exemption is available only if the sum of business income, federal loss carryover and carry backs and compensation/director's fees of all shareholders is less than \$67,500.

The statutory exemption cannot be used to increase a business loss to the next year or to offset adjusted tax base (as determined on line 38 of your *SBT Annual Return*) before you report the use of the loss carryovers on your C-8000, line 39. Unused statutory exemption cannot be carried forward.

The statutory exemption will be reduced by \$2 for each \$1 that line 6 exceeds the amount of the exemption on line 13.

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Line 3. Enter your business income from form C-8000, line 11.

Averaging income. Businesses registered as individuals, fiduciaries or partnerships may average their income before computing their statutory exemptions. Averaging is not available to corporations. If you choose to average your business income, complete *SBT Statutory Exemption/Business Income Averaging* (form C-8000G). Enter the amount from form C-8000G, line 9 here. Be sure to check the box on C-8000, line 42a to indicate that you have averaged your income.

NOTE: Business income averaging is used only to figure the statutory exemption. Do not use it as the current year business income on any form.

Line 5. Enter the amount from form C-8000KC, line 5. Corporations claiming a statutory exemption or a small business credit must complete *SBT Schedule of Shareholders and Officers* (form C-8000KC) to determine compensation and directors' fees of all shareholders. S-corporations and professional corporations must use C-8000KC to determine qualified shareholders for the additional exemption.

Line 7. Enter \$45,000 unless you are a member of a controlled group. If you are a member of a controlled group and claim an allocated statutory exemption, you must attach *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups* (form C-8009) to your SBT return. A controlled group is entitled to only one statutory exemption, which is allocated on form C-8009. Controlled groups must enter the amount from C-8009, line 4.

Lines 8 through 10. Complete these lines to increase the statutory exemption for the number of qualified partners or shareholders. Enter the amount from *SBT Schedule of Partners* (C-8000KP), line 5 or the amount from *SBT Schedule of Shareholders and Officers* (C-8000KC), line 4.

NOTE: The increased statutory exemption is only available to S-corporations and professional corporations. It is not available to other types of corporations.

Lines 11 and 12. Complete these lines if you had business activity only during part of a year.

Line 16. Enter here and on your annual return (form C-8000), line 41. If line 16 is negative, enter zero.

Attach this schedule to your annual return.

Instructions for Filing Your Application for Extension

This information is issued under P.A. 301 of 1939, 281 of 1967 and 228 of 1975. Filing of this form is mandatory for single business tax and intangibles tax filers to obtain an extension. Income tax filers may file a copy of their federal extension instead.

Income Tax (individual and fiduciary). An extension of time to file the federal return automatically extends the due date of the Michigan return the same length of time. An extension of time to file is **not** an extension of time to pay. If at the time the extension is filed, you determine additional Michigan income tax is due, pay the amount due on this form or on a copy of the federal extension. If no tax is due, it is not necessary to send an extension form to Michigan by April 15 (the copy of the federal extension attached to your return will be sufficient). Attach a copy of all federal and Michigan extensions to the MI-1040 or MI-1041 when it is filed.

Intangibles Tax filers must use this form to request an extension and must file it before the original due date of the return. Federal forms are **not** acceptable. Treasury will grant an extension of 180 days.

Single Business Tax filers must use this form to request an extension and must file it even if the IRS has approved your federal extension. If this form is received with a copy of your federal extension by the due date of your annual return, Treasury will grant you the same length of time as the federal extension plus 60 days. If this form is received without the federal extension, we will grant a 180-day extension.

An extension of time to file is **not** an extension of time to pay. You must include an estimated tax payment with this form, **or** you must have made appropriate estimated tax payments during the year. Extension requests received without payment on the account **will not be honored** and penalty and interest will accrue on the unpaid tax from the original due date of the return. Penalty and interest for late filing is only charged if tax will be due on the SBT annual return. If no tax will be due on the SBT annual return, you do not need to request an extension to avoid penalty and interest.

PART 1: Identification

Lines not listed are explained on the form.

Line 1. File a separate application for each tax type. Check the box next to the tax this application is for. Partnerships and S-corporations filing composite income tax returns (for nonresident partners and shareholders respectively), should check the "Fiduciary Return" box.

Lines 2 and 3. Single business tax and fiduciary filers must enter their federal employer identification

number (FEIN) on line 2. Income tax and intangibles filers must enter their Social Security number on line 3. If an intangibles filer does not have a Social Security number, enter an FEIN. Do **not** complete both lines 2 and 3.

Line 4. Print or type your mailing address. Income tax, fiduciary and intangibles filers will **not** receive a response if their extensions are approved. Single business tax filers will receive a written response at the legal address on file with Michigan Treasury.

Line 5. Enter taxpayer's name and address only if it is different from the mailing address listed on line 4.

PART 2: Computation and Payment of Tax Due

You must estimate your tax liability for the year and pay any unpaid portion of the estimate with your application for extension. The application and payment must be postmarked on or before the original due date of your return.

If you underestimate your tax due and do not pay enough with your application for extension, you must pay interest on the unpaid amount. Compute interest from the due date of the annual return. The interest rate is 1 percent above prime rate and is adjusted on July 1 and January 1. Interest is charged from April 15 (or the due date of the return) to the date you pay the rest of the tax.

Any one of the following penalties may also apply to the unpaid tax:

- 5 percent per month to a maximum of 50 percent for failure to pay;
- 10 percent for negligence;
- 25 percent for intentional disregard of the law.

Line 7. Payments made to date include quarterly payments, a credit forward from the previous tax year and any other payments previously made for this tax year. Individual income tax filers should include any Michigan withholding.

PART 3: Extension Request

Line 13. For **individual and fiduciary income tax**, if the extension will extend the filing period of a Michigan return beyond the federal extension, attach a copy of the approved federal extension. **Single business tax** filers must check the box and attach a copy of the federal extension application.

Line 15. Check the box if Treasury has already granted you an extension for this tax year. If you need more time, submit a new application with a copy of the original application before the original extension expires.

Mail to the address on the front of the form.

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1989-38	Officer Liability
1989-47	Single Business Tax, Agriculture Exemption
1989-48	Single Business Tax, Entities Under Common Control
1989-49	Single Business Tax, Consolidated or Combined Reporting
1989-51	Single Business Tax, Small Business Credit and Statutory Exemption for Part-Year Shareholders/Partners
1989-54	Single Business Taxation of Real Estate Mortgage Investment Conduits (REMICs)
1989-59	Certification of Community Foundations for Tax Year 1990 - Single Business Tax Credit and Income Tax Credit
1990-19	Availability of Community Foundation Tax Credit Tax Year 1990 and List of Certified Community Foundations for Tax Year 1990 - Single Business Tax Credit and Income Tax Credit
1990-27	Certification of Community Foundations for Tax Year 1991 - Single Business Tax Credit and Income Tax Credit
1990-28	Updated Listing of Certified Community Foundations for Tax Year 1990 - Single Business Tax Credit and Income Tax Credit
1990-34	Single Business Tax Base of a No Fault Insurer Collecting Premiums to the Catastrophic Claims Association
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1991-17	Updated Listing of Certified Community Foundations for Tax Year 1991 - Single Business Tax Credit and Income Tax Credit
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1992-11	Availability of Community Foundation Tax Credit for Tax Year 1992 and List of Certified Community Foundations for Tax Year 1992 - Single Business Tax Credit and Income Tax Credit
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Treasury Offices

Main Office

LANSING, 48922

Treasury Building
430 W. Allegan St.
517-373-8030

1-800-367-6263 (forms)

Other Offices

DETROIT, 48226

State of Michigan Plaza Building
1200 6th St.

ESCANABA, 49829

State Office Building, Room 7
305 Ludington St.
(open 8 - 12 only)

FLINT, 48502

State Office Building, 7th Floor
125 E. Union St.
(closed 12 - 1)

GRAND RAPIDS, 49503

State Office Building, 3rd Floor
350 Ottawa St., NW

KALAMAZOO, 49005-0286

535 S. Burdick St., Ste. 197
(closed 12 - 1)

PONTIAC, 48342

100 N. Saginaw St.

SAGINAW, 48607

State Office Building, 4th Floor
411-I E. Genesee St.
(open 8 - 12 only)

TRAVERSE CITY, 49684

701 S. Elmwood Ave., Ste. 1
(open 8 - 12 only)

Deaf, hearing or speech impaired persons may call 517-373-9419 (TTY) or the Michigan Relay Center at 1-800-649-3777.